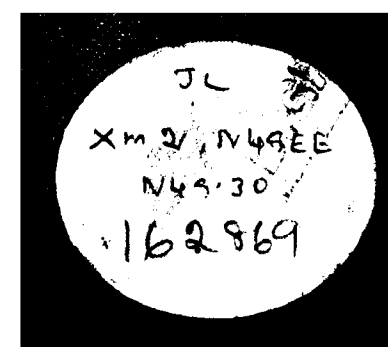
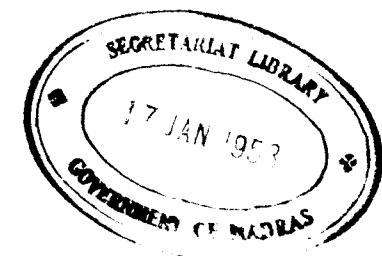






The Eastern Economist

XXX. NO. 2.

NEW DELHI: JANUARY 11, 1958.

ONE RUPEE

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New Year Musings

In the respect, the New Year opens with a chilly
note. With the announcement this week of an
order by Mr. Justice Chagla, Chief Justice of
Bombay High Court, into the purchase of

shares of the Mundhra Group by the Life Insur-
ance Corporation, the public sector is in the fierce
glare of publicity. Not less embarrassing in the
state of the private sector in respect of criminal

proceedings on certain transactions of a group of companies which have caused much concern. Both these enquiries are judicial proceedings and it is, obviously, improper to suggest anything at this stage on the merits of both matters, which are under review. But the fact that these enquiries have been instituted seems to suggest that all is not entirely well with both sectors. On the other hand, the promptness of the enquiries in the two cases has raised the prestige of the Government of India greatly in the last month. There is obviously a keen appreciation of the point that public affairs, or private affairs with a strong public component, must always be brought quickly before proper judicial tribunals. The Government of India has shown by the deliberately public character of the enquiry that it does not propose to shelter under any procedural opportunity.

This business to face an uncomfortable issue publicly is one of the greatest assets of this nation at this time. This does not only apply to economic affairs. Of far greater moment is the decision this week of the State and Central Governments to release Sheikh Abdullah from preventive detention in Kashmir. There is no indication that any assurances have been received from Sheikh Abdullah that he will act in accordance with either State, or Indian, policy at this time. Therefore the release, on which not a few Indians had an uneasy conscience, is a victory of conscience and not an act of expediency. This is proof that, whatever are our failings from our highest ideals from time to time, the moral claims upon the Indian Government will, given time, express themselves above all others. It is doubtful if a decision of this kind could have been taken by the State Government without the personal approval and support of the Prime Minister. This should be an occasion—whatever the consequences—when the Indian people should applaud the opportunity that a Prime Minister of India has taken to act in accordance with the highest traditions of this country. This is one of the most difficult decisions that has faced the Prime Minister in recent years; that he should have made it, against much persuasion on grounds of expediency, shows an independence of mind and a regard for moral considerations of which we should be genuinely proud. The path is certainly not easy as a result of the uncertainty that has been created. But the decision, merely because it creates uncertainty, is not the less worthy on this account.

The tests which are to come this year are not entirely moral tests. But the fact that we have faced bravely and publicly both economic and political issues will suggest that we are, by no means, afraid of meeting frankly any other shortcomings which may be revealed. The Plan is now, of course, sadly disarranged. Undoubtedly there has been far too little explanation of its present state to the Indian public. It is wholly wrong that the Government of India should assume that the cuts in the Plan and the adjustments that are being made are matters primarily for the Executive and the Executive only. These are matters of great moment to the people of India, some of whom are being thrown out of employment; others are facing a degree of uncertainty which requires at least public discussion in the Press before Parliament meets. In the same spirit in which the Government of India has made

bold decisions on the Life Insurance Corporation's investments and on Sheikh Abdullah's release, it should be ready to proclaim, in detail, the present position of the Plan and the difficulties which its implementation involves. By the same token, important leaders in the business community need to tell the country frankly where the implementation of their expansion plans included in the second Plan stands at the present time. As far as can be determined, clear information on hard core projects in the private sector are available only in regard to the Tata Iron and Steel Company and the Indian Iron and Steel Company. It is right that the whole of the information connected with cut-backs on expenditure in the public and private sectors should be put into a concrete picture before Parliament meets. Of evasions on the size and scope of "rephrasing" on the Plan we have already had too many.

The fact that we have many distinguished visitors at this time, including the first British Prime Minister ever to visit this country and the President of the Indonesian Republic who has a central, even if a disturbing, role in the affairs of his own country, should not distract us from hard imperatives necessary in a real democracy. It is essential that the people of India should be told quite frankly without delay what their commitments are and on whom they have been placed. It would be clearly improper to leave any critical area uncovered or to prevent private sources from supplementing any areas of Government failure. The case of the coal industry, for example, is one which cries aloud for treatment. It is now abundantly clear that the coal target in the public sector is completely beyond the capacity of the Ministry of Fuel and Power. There is yet time to allocate some of these projects to agencies in the private sector which may have capacity. This is not, by any means, a biased proposal; if it should turn out, in any particular case, that the public sector has the capacity and the private sector has none there will be an equal case for transferring operation to the public sector. All that is required is that the current situation should be treated in every case on the basis of the national interest alone.

If this is done, and the tradition for high and open dealing is maintained throughout our affairs, we can look upon the difficulties of this New Year without any loss of faith in ourselves. There is no doubt that with a recession likely in the United States, and some uncertainty in international conditions generally, the confused economic outlook has become even more uncertain. But, after all, this nation has faced in its troubled history far greater crises than the one it faces today. Nothing is more foolish than to suppose that there are no reserves of character and capacity to bear the burdens that are upon us. If everyone should feel, as *The Eastern Economist* undoubtedly does, that the difficulties at the moment are a challenge and opportunity such as this nation needed at this time we would look on our troubles with courage instead of with fear. The Government should also have the assurance that, at moments of crisis, whatever the differences which divide it from its opponents in debate, it will receive in full measure the support of the people of the Indian Union. In that support, as the Gandhian Age demonstrated, there are reserves of power which have only just been tapped; there is a well of proved goodwill and understanding with power unending.

The British Prime Minister

THE spotlight this week is on Mr. Harold Macmillan, the first British Premier to visit this country, but one not so well known here as other earlier Prime Ministers. He may not yet belong to that class of great Tory Prime Ministers—Baldwin and Churchill—but he certainly appears to be as much a man of action as they were in their time. His, however, is a quiet strength that has accomplished tasks which looked so disconcerting and disheartening in the weeks following the Suez misadventure. He has eased the strain in Anglo-American relations; he has restored Britain's prestige in Europe; he has imparted stability to the Conservative Government; and, above all, he has cemented Commonwealth unity. The quiet manner in which he has undone the damage which the Suez crisis inflicted on Britain's standing and prestige is a measure of his character and eminence.

That he has placed Anglo-American relations—the bedrock of Western defence and security—on a firmer footing and restored Britain's stock in Europe, could be inferred from the success of the recent NATO Conference. The strength flowing from this success could be seen in his latest proposal—which has found favour in New Delhi—for a solemn non-aggression pact between the Western Powers and the Soviet Union as a first step in the process of negotiations for disarmament and nuclear agreement. The offer of a pact of non-aggression has not been made out of weakness. If anything, it has been made out of an awareness of the moral and military strength that NATO represents. Although the present even balance of power has made war almost impossible and so the stalemate is not a bad thing in Mr. Macmillan's view, it would be a positively good thing if it is broken. As Russia also may be taken as occupying a position of strength as of today, the acceptability to her of a possible non-aggression pact which, it may be recalled, Marshal Bulganin himself had previously proposed can be theoretically taken for granted. Whether the Soviet Government would actually grasp the hand of friendship remains, however, to be seen. In this context, Mr. Macmillan's parleys with Mr. Nehru and other Commonwealth leaders in the East may well pave the way for positive peace talks with the Soviet Union.

The only snag in Mr. Macmillan's peace mission is whether his Government will run its full term or last long enough to be able to persuade and carry all the NATO members with it on this question. The chances here are quite promising in spite of appearances to the contrary. For, there cannot be much dispute that Mr. Macmillan has imparted strength to his party and cohesion in the Cabinet notwithstanding the critical eyebrows that may be raised over Mr. Thorneycroft's resignation. If anything the episode has revealed the solidarity of the team and the ability of the Prime Minister to carry through his colleagues though Mr. Gaitskell may feel that the Prime Minister "leaves behind a confused cabinet and a divided party". It may be too early to pass any judgment on the Chancellor's resignation and some deeper issues may be unearthed than the mere differences over the proposed increase in Government spending which is just a margin of

less than one-hundredth of the total budget and less than one-third of one per cent of the national income. But Mr. Macmillan certainly comes out the better in the controversy as it is presented. Here is revealed another facet of the man who can impart a flexibility to policy without deviating from the main core.

Thus Mr. Macmillan is undoubtedly correct in holding that it would be absurd to make permanent alterations in the shape of the social policy on the basis of the exact outturn of a single year's estimates. This cannot be construed as counting on a political advantage with an eye on the next elections. To any discerning observer, it would be clear that a spring election would be mere wishful thinking whatever the Labour Party may proclaim. Mr. Gaitskell cannot be unaware of the fact that there can be no ready solvent to offer for the nation's ills and the Labour Party could not sustain any plea of increased wages at a time when the number of workers without wages does not seem to abate despite State effort. The result may well be that Mr. Macmillan may continue in office without the need for going to the country in any precipitate hurry.

Incidentally the continued stability of the Macmillan Government might promote still better Commonwealth relations. The success that attended the first Commonwealth conference after Mr. Macmillan came to office and the very idea of an extensive Commonwealth tour by a British Prime Minister give the lie direct to the prevailing impression that only a Labour Government would be able to preserve the bonds of Commonwealth unity. That Mr. Macmillan, a Conservative Prime Minister, has not only been able to repair the damage done to Commonwealth unity by the Suez misadventure but to cement this unity in a more positive way, has brought him a deal of credit. What his predecessor had intended to do but could not, Mr. Macmillan is probably doing now. It is no other than the use of the Commonwealth as a force for peace in its own right—a force which can help in the process of negotiations between the two leading Powers, the United States and the Soviet Union. Mr. Macmillan's current visit to India may well give a significant turn to this process. It is a process which cannot obviously end, as Mr. Macmillan himself has made it clear, with the signing of a non-aggression pact. To underline the futility of a possible pact of the kind by a reference to the failure of the Kellogg Pact in the period between the two World Wars would be rather unwise. After all, the fate which overtook the Kellogg Pact should be a wholesome reminder of the limited utility of another pact of the kind where expansionist Communism is involved. Any fear that the non-Communist world would be lulled into complacency by any such pact is unwarranted because there is already an all-round awareness of the dynamics of World Communism which, in the last analysis, depends on war—civil or international—for its expansion. As stability and peace come in the way of Communist expansion, the longer these two things are ensured the greater would be the chances of depriving this twentieth century phenomenon of its character of violent dynamism.

A Little Europe is Born

THE Europe of the Six came into being, on paper, last week with the coming into force of the Common Market and Euratom treaties. Not a lot of notice was taken of the event and in fact an embarrassed silence is to be noticed because a number of things that ought to have been done by this time have not been done. In the Press there has been more talk of other people's Common Markets than of the West European one: first the harebrained Egyptian idea for an Afro-Asiatic common market put forward briefly at the Cairo conference, and, second and slightly more serious, the Communist bloc's conference at Liblice in Czechoslovakia on an East European Common Market. Little information is available about this latter, naturally, though it is known to be dealing with proposals for a specialisation of industrial investments within the Soviet bloc and for a common price policy. The total Russian domination of these economies, which are more-over all "planned" economies, might make it seem feasible to launch a common market there, but in reality the system of multiple prices inseparable from Communist industry (the same product being sold to one purchaser, domestic or foreign, at three, four or five times the price charged another) makes it as difficult to widen Communist markets as free ones. But, just as the Warsaw Pact was set up in reply to the Atlantic Pact, some Communist simulacrum of the Common Market may yet be born in the East.

The six-Power treaties made a bad start because no decision had been taken by the time they came into force on the situation of the headquarters nor on the choice of presidents of the various institutions. Negotiations on these questions were held in Paris just after the NATO conference but were fruitless and another meeting is to be held there this month. Two days have been set aside for this second meeting, though all it has to do is name a capital. Obviously some prolonged bargaining is expected. The favourites are Brussels and Strasbourg, with two or three outsiders such as Milan and Luxembourg. National rivalries have been keen, for the town chosen will house the Coal and Steel Pool, the Common Market HQ, Euratom, their personnel, the diplomatic missions of non-member countries and the liaison offices of the West European trade unions and industrial organisations. In addition, there is the hope that the town chosen will one day, by force of attraction, become the political capital of a united Europe. So it was to be expected that the choice would be difficult, but nevertheless it is not a good omen for European unity that a choice could not be made in time, for it is no more difficult than the hundreds of decisions that will have to be taken month by month if European unity is to work. As we go to press, the decision on the capital has been shelved again.

The choice of presidents for the three institutions will be easier, unless it becomes involved in the bargaining about the selection of a capital. For Euratom the election of M. Louis Armand admits of no dispute; Armand, at present head of the French railway system, is one of the most brilliant polytechnicians in Europe and the very type of scientist-administrator. The Frenchman Rene Mayer having resigned from the presidency of the Coal and Steel Pool in order that France should not monopolise the big jobs, it is agreed

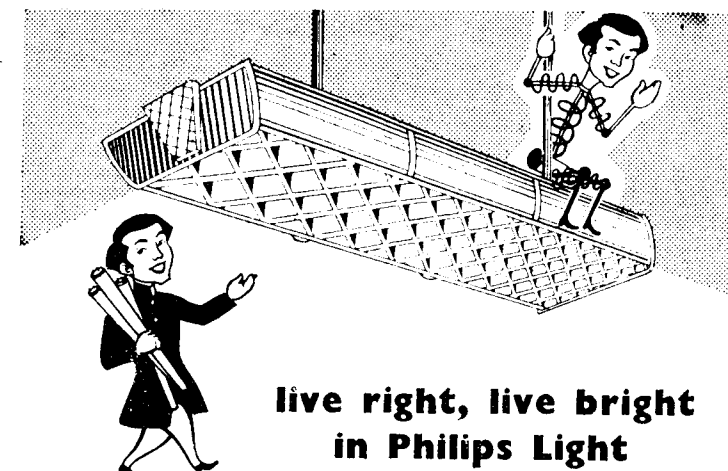
that this post should go to a German. It remains to choose a Belgian or a Dutchman for the chairmanship of the Common Market. Once again, these decisions should have been taken by January 1 and it is not a good augury that Little Europe should come into existence without directors and without an address.

But these omissions can be made good fairly soon, and probably will be during this month. What can be less readily rectified is the total unpreparedness of the major partner in the affair, the French economy. The French Government was bound, by the Assembly vote that ratified the Common Market treaty, to present to parliament before the end of last year a global economic plan showing how France was to prepare herself for the venture. But the economic crisis, devaluation, and the six-week Cabinet crisis postponed the elaboration of the plan and it is not ready yet. The Finance Minister has promised it for "about the end of January".

The biggest uncertainty attending the birth of the Common Market has to do with the state of the American economy. Every economic forecast issued in the first week of the New Year has included reservations about the effects of a recession in the USA, if it comes. It is obvious that the West European experiment will be intimately affected by any such decline in activity in international trade. Quite apart from the American recession, it was already plain that 1958 would be a year of reduced expansion in Europe itself. It is certainly not argued that there will be a major slump in the USA, which no one expects; but even a mild recession in that country would have important consequences for international trade on the Continent, and the Common Market is precisely a plan for increasing international trade in this area.

What those consequences will be depends on timing. If at all a recession supervenes before the six nations have begun to lower tariff barriers, the Common Market will make very slow progress because industries will not wish to surrender protection just when trade is difficult. But if some progress has been made towards European integration before the recession reaches embarrassing proportions, the Common Market scheme will receive a sharp stimulus because there will be anxiety to exploit all the protective possibilities it contains.

It seems certain that the decline in raw material prices will continue or will be less readily reversed. And this lends a new importance to the association of certain colonial territories with the European Common Market. In a period of falling raw material prices, those exporters of "colonial produce", as tropical raw materials are called, who have favoured access to the West European market (because they have been co-opted by the colonial powers into the Common Market) will fare better than—and at the expense of—the independent exporters. GATT in a report just published in Geneva says that this will apply particularly to coffee and cocoa which the African colonies of the Common Market powers produce at prices higher than the independent producers, but this disadvantage may be annulled by their preferential access to West Europe.



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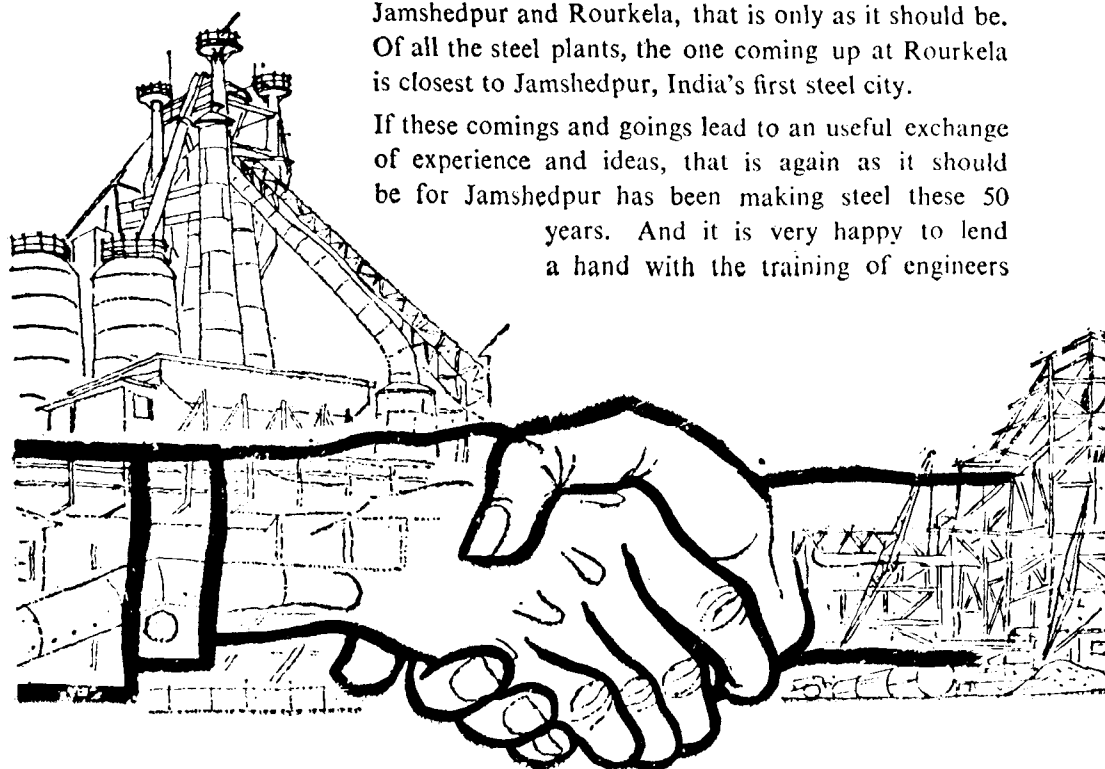


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From a Neighbour

If there is a lot of comings and goings between Jamshedpur and Rourkela, that is only as it should be. Of all the steel plants, the one coming up at Rourkela is closest to Jamshedpur, India's first steel city.

If these comings and goings lead to an useful exchange of experience and ideas, that is again as it should be for Jamshedpur has been making steel these 50 years. And it is very happy to lend a hand with the training of engineers



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and technicians for Rourkela. There are nearly 150 of them at Jamshedpur—from key personnel to artisans.

Strengthening these ties of friendship are the surprisingly large number of old Jamshedpur faces that one sees at Rourkela. To them and their colleagues, Jamshedpur sends neighbourly greetings and good wishes.

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THE WEEK'S NOTES

INDIA AND CZECHOSLOVAKIA

THE FIRST statesman to visit India in the new year is the Prime Minister of Czechoslovakia, Mr. Viliam Siroky. His visit naturally brings to mind the old spiritual kinship between the two countries. During their struggle for independence, the Indian people expressed sympathy and admiration for and drew inspiration from Czechoslovakia's struggle against the Austro-Hungarian empire in 1918. They felt outraged and shocked when a part of Czechoslovakia was literally handed over to Hitler under the Munich Pact. Its post-Munich humiliation and its people's tenacious resistance were sympathetically watched in India. Both the countries retrieved their political independence at about the same time after World War II. After India's attainment of independence, and especially after Mr. Nehru's visit to Prague three years ago, relations between the two countries have become even closer. Now these bonds will be further strengthened by the visit to India of Mr. Siroky. His visit, as well as his country's genuine desire to help India in her programme of industrialisation are welcome evidence of mutually friendly feelings. In this, the part played by our ambassador, Dr. J. N. Khosla, is notable. It is undoubtedly his efforts that have resulted in the decision for the setting up of a Czechoslovak foundry-forge near Ranchi.

The joint statement by the two Prime Ministers says no more than was expected. It has reiterated the view that cessation of atomic and thermo-nuclear tests could be the "first step" towards creating the appropriate atmosphere for an agreed scheme of disarmament. The Prime Ministers have expressed sympathy with the struggles of people striving for freedom from colonial rule; pledged themselves to continue their efforts for securing admission of the People's Republic of China in the United Nations; re-affirmed their faith in Panchsheel; and noted with satisfaction that peace was maintained recently in the Middle East through the intervention of world public opinion and the United Nations.

The joint statement is saved from being platitudinous because of the background offered it by United Nations' unanimous resolution for a non-aggression pact with Russia. More recently has come a similar plea from the British Prime Minister, Mr. Harold Macmillan. But it cannot be denied that in the last analysis the cold war will be ended only by a non-aggression pact between Russia and the United States. Even the dream of an atom-free zone cannot materialise without an understanding between the two giants. However, declarations such as the one issued jointly by Mr. Nehru and Mr. Siroky help to keep in focus the common man's desire for peace.

RETREAT FROM SOCIALIST PATTERN?

A RECENT statement by Mr. C. D. Deshmukh that India had been beating a retreat from her goal of socialist pattern of society has naturally attracted wide attention. It is, however, rather surprising that Mr. Deshmukh should have chosen to make his statement just at a time when some re-thinking seems to be taking place in high Government circles for adopting a more pragmatic approach in meeting the serious difficulties encountered in implementing the Plan. The reasons given by Mr. Deshmukh for his thesis also do not seem to be convincing. He has stated that one of the reasons for the 'retreat' was due to the fear that personal incentive was destroyed by increased taxation. That the current budget, which has tried to 'net' in nearly Rs. 100 crores by way of additional taxation, will adversely affect private incentive is now quite recognized but as yet there seems to be no evidence

that Government are likely to revise their policy in this regard. In the face of this it is not quite clear how Mr. Deshmukh bases his argument on the score of increased taxation giving way.

The other argument in favour of his thesis is still less understandable and that is that India hopes by beating a retreat 'some foreign nations will give us a little more help'. It has now become a truism that there is nothing 'infra dig' if a country seeks foreign aid for her development plans and many of the advanced countries including Soviet Russia were able to build up a prosperous economy on the basis of foreign aid. The aid that the United States has given to Yugoslavia seems in no way to have compromised the latter's own ideology. It is now on the cards that India may expect immediate US aid of the order of \$300 millions and though the US may be the principal source, there are signs that many countries in Europe are prepared to give a helping hand though the dimensions and forms of aid may vary. A hopeful sign of the present in an otherwise sombre atmosphere is the increasing realisation that has recently come about in the country as well as abroad that, even as the second Plan itself has recognised, 'the socialistic pattern of society is not to be regarded as some fixed or rigid dogma... Economic and Social policy has to be shaped from time to time in the light of historical circumstances'. There is also increasing recognition at least among a considerable section of industry that the Congress brand of socialism does not mean any bar to the expansion of the private sector within the limits set by the second Plan. Correspondingly the atmosphere abroad is also more propitious for the flow of private foreign investment. When it is necessary on all sides to find practical methods and use all the ingenuity available for salvaging a substantial part of the Plan, it is a pity that Mr. Deshmukh should have provoked, even unwittingly, a controversy based on a reading of the current situation which does not quite conform to realities.

MR. SHENOY AND DEVALUATION

MR. B. R. SHENOY'S presidential address to the Annual Conference of the Indian Economic Association covers familiar ground but nevertheless focusses attention sharply on the 'multi-phased crisis' in the economic sphere as he has termed it. He has cogently argued how the second Plan aims at investing far more than the available resources and it will be of little avail to attempt to save the Plan by monetary, tax and other fiscal measures, whatever may be their usefulness in other respects and since the magnitude of the savings gaps according to him is of the order of Rs. 2,500 crores, the only practicable way of meeting it would be to cut down the Plan if money incomes are not to outpace output. Since rephasing of the Plan has now been accepted as inevitable, there may not be much disagreement on that score, but no one seems to be certain as to the extent to which rephasing will go and herein seems to lie the real trouble.

But when Mr. Shenoy goes on to argue that the balance of payments crisis is also due to the same reason, viz., over-investment and the only way to meet it is by devaluation there is bound to be disagreement. It is now recognised that larger food and defence imports and direct investment demands for imports of steel and machinery have been mainly responsible for the increase in imports. Mr. Shenoy holds that the problem of India's payments difficulties is primarily a problem of moving sufficient exports to match the import needs of the country. It is now naive to believe that in the present context of our limited exporting capacity, there is much scope for increasing

our export earnings through lower export prices to a significant extent, though there may be an increase in the physical volume of our exports. As far as imports are concerned, in a planned economy there is enough scope for controlling imports to the extent desired without resorting to monetary devices and where the bulk of imports consist of capital goods and raw materials, it would only result in raising the rupee cost of the Plan. Mr. Shenoy, however, concedes this point but states that a distinction must be made between devaluation designed to eliminate overvaluation and devaluation in the sense of currency depreciation to below the equilibrium rate. However, he himself finds it rather difficult to pre-determine the precise degree of devaluation and therefore advocates the expedient of 'floating' the rupee first on the model of the Canadian dollar. This is nothing but disguised devaluation. The remedy for the balance of payments difficulty obviously lies elsewhere and that is the way the country is able to meet the foreign exchange crisis through proper rephasing and adjusting internal resources on a realistic basis.

INDOMITABLE "SNOWMAN"

SIR EDMUND HILLARY, the co-conqueror with Mr. Tenzing Norkay of Mount Everest, reached the South Pole on January 3. Forty-six years ago, Captain Robert Scott arrived at the Pole in the same month. Captain Scott met ill-luck. He reached the Pole to find that the Norwegian party led by Mr. Ronald Amundsen had forestalled him. On the return journey, he perished in a blizzard.

The doughty New Zealander reached the Pole, along with four members of his party, after ploughing through more than 1,200 miles of frozen, inhospitable wastes of Antarctica, up the Skeleton Glacier, over the treacherous crevasse-torn plateau, and the ferocious, blinding snow-storms. These were hazards that might have extinguished a lesser man's courage. True, the South Pole has ceased to be what it was at the time of Amundsen and Scott. Air transport, for one thing, has brought the South Pole within reach; in fact, Sir Edmund's party has been welcomed on the spot by the American scientists who had established a Polar base last October. Moreover, while Captain Scott used sledges pulled by ponies and dogs, Sir Edmund performed his feat with the aid of snow tractors, sledges and dog-teams. Sir Edmund Hillary's achievement therefore cannot beat Captain Scott's record under far

more trying circumstances. But this does not make his feat any the less of an achievement. It is, in truth, of more significance than a single man's courage; it is symbolic of the turbulent, indomitable times in which we live. The only past age which might be compared with ours is what has come to be called Britain's Elizabethan Age; the results were, naturally, different, of lesser magnitude. But the spirit of discovery, the insatiable curiosity which led men to dare the devil himself, the reckless courage which lured men from the earth to the claws of danger — these have come down to us. From us they will pass on to the coming generations, for man is so made that his spirit can find comfort only in seeking and striving.

There will be special pleasure in the Commonwealth because Sir Edmund Hillary belongs to one of its member countries. His grit and determination are the pride of the entire Commonwealth — indeed, the entire world. We congratulate Sir Edmund Hillary on reaching the "bottom" of the world after having reached its top on May 29, 1953.

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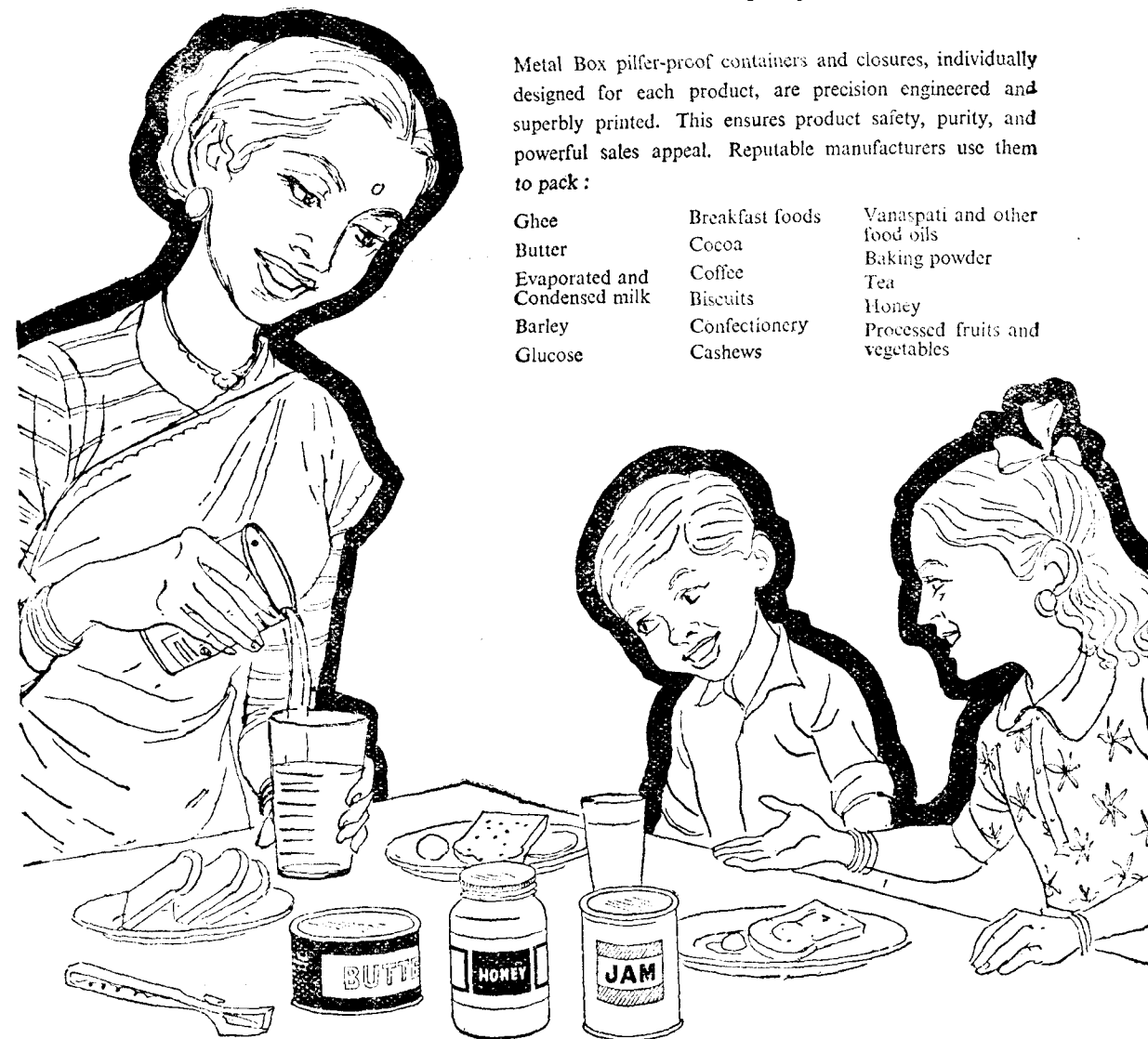
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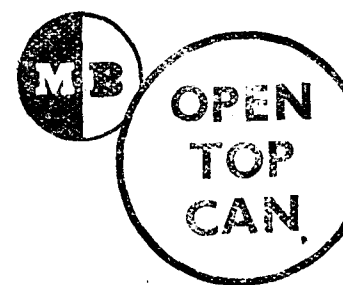
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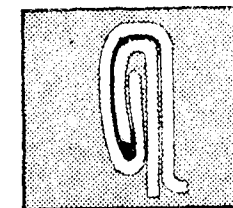
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Glucose	Confectionery	Processed fruits and vegetables
	Cashews	



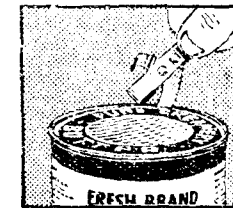
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A Window on the World

HAROLD MACMILLAN: POLITICIAN OR STATESMAN?

By
ODYSSEUS

MR. HAROLD MACMILLAN will, by the time that these words appear in print, have been the first British Prime Minister in office ever to have visited India.

As one who believes that Indo-British co-operation has an important contribution to make to world progress, I welcome his visit. Anyone who has read this column over the years will know that it is no respecter of persons or parties, on the Right or the Left. That is why I have no fear of being suspected of partisanship when I add that it is useful that the first British Prime Minister ever to visit India should be a Conservative and not a Socialist, for we have a traditional suspicion of the Conservatives and the press not infrequently shows preference for the Labour party. For one nation to seem to take sides in the international politics of another does not help to set the stage for the best co-operation possible. There are periodically suggestions in the press that the Socialists are bound to win the next British election. This is wishful thinking because, with anything up to a year and a half of life left to the present parliament, speculation as to the outcome of a general election is a waste of time. If the Rent Act succeeds in bringing the extra houses on to the market that it is expected to bring, if inflation is halted, if a world recession does not spread, if the Labour party manages to reconcile the differences that rend it, these, and many other "ifs", open possibilities of success or failure for one party or the other. Outside astrology, the raw materials for confident prediction do not as yet exist. The attitude of those who predict a Labour success suggests that they consider closer co-operation to be possible with one party rather than with another. They overlook that they are not asked to co-operate with a British political party but with the British government and people. The same idea applies to the USA or to Ceylon. It is not to our interests to co-operate with Republicans or Democrats, or with Mr. Senanayake rather than with Mr. Bandaranaike, but with the governments and peoples of America and Ceylon.

THE CONSERVATIVE PARTY'S RECORD

It is one year since on January 10, 1957, Mr. Macmillan became Premier. Writing here on January 25 and February 1, 1957, I outlined the reasons why the pronouncements of Mr. Macmillan seemed to offer grounds for sober optimism in the economic future of the UK. I concluded: "The Macmillan team is blowing a breath of economic Spring into the British air. Of course I may be wrong. I will not fail to keep you informed either way."

Today, a year later, I offer an interim report. The task before the Macmillan team is to halt inflation and to consolidate the free economy in which the majority who voted them into office believe. What have they accomplished?

The Conservative party was returned to power for the first time after the war in October, 1951, at a time of economic crisis. In the effort to maintain the rate of interest at 2 per cent, their predecessors had pumped millions of inflationary pounds into the economy by open market operations through the Bank of England, as well as by other measures, and the Con-

servatives had to raise the rate to 4 per cent. They halted inflation induced by too cheap money, but were thereafter faced with inflation caused by constant wage increases which outstripped productivity. Wages in 1956 alone went up by no less than £900 millions. Despite a surplus in the UK balance of payments of £245 millions in 1956 and of £125 millions in the first half of 1957, foreigners began, in the face of the trend of British wages compared with production, to worry about the £. The government stopped the run on the £ by clamping on the highest bank rate since 1921. The object of a tight money policy is to force keener competition, and therefore higher efficiency and productivity, on industrialists and workers who have been making money too easily under inflationary conditions.

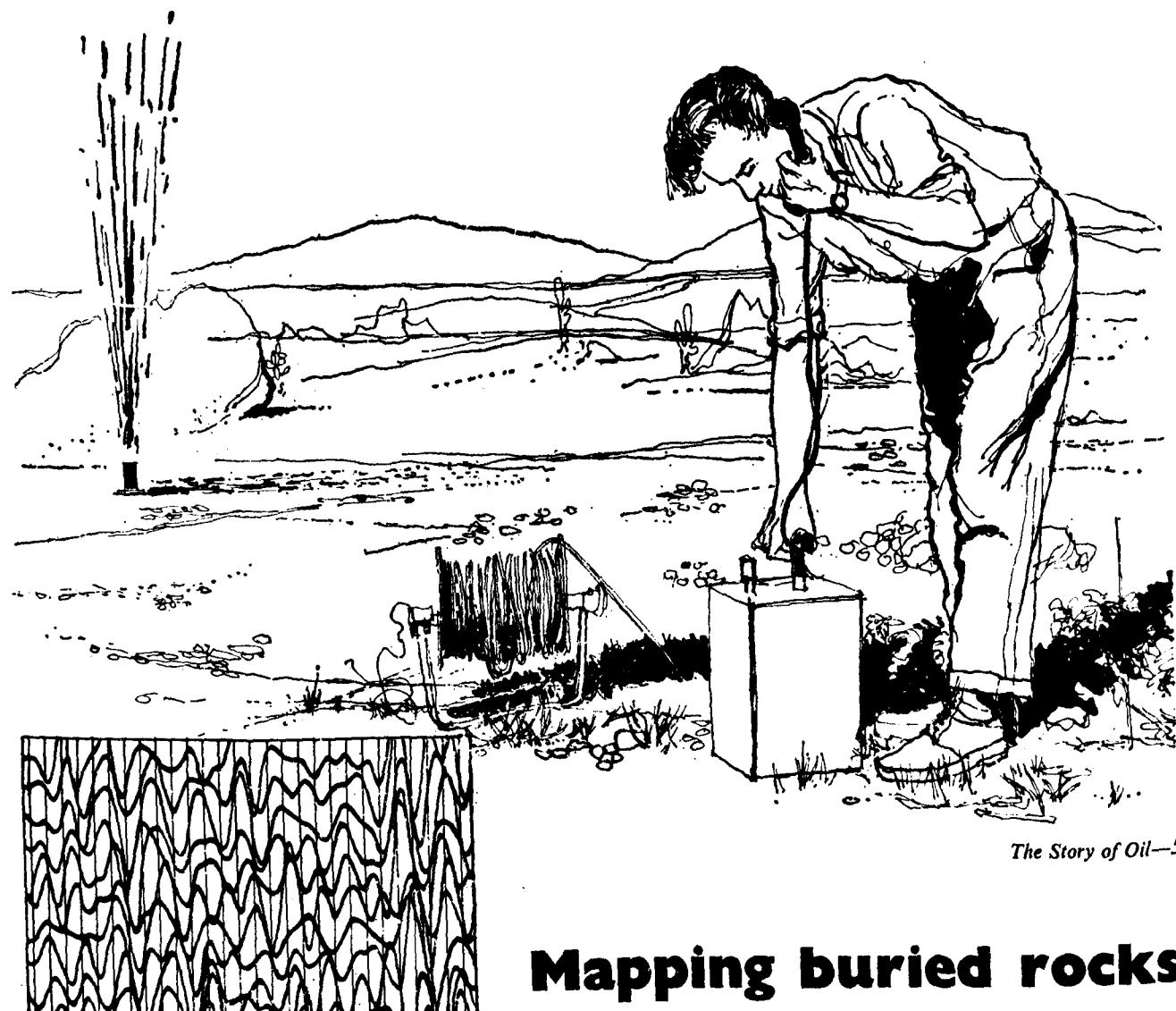
We must judge Conservative policy against the background of the alternatives offered. The Opposition argues that the government is out to limit (1) production (whereas what the government claims to be seeking is (a) higher productivity and (b) to switch sales from domestic to export markets; (2) investment, whereas the government is allowing the existing volume of investment to continue while taking the foot off the inflationary accelerator; and (3) employment (whereas, says the government, if inflation had been allowed to continue, the end could only have been massive unemployment as prices rose higher and exports fell lower).

OVERSEAS REACTIONS TO SOCIALIST PROPOSALS

The Opposition also proposes (1) an economic conference between the UK, the USA, Canada, Germany, and France, to examine the internal policies of creditor countries; (2) international talks on commodity agreements; (3) a sterling area conference to agree on a planned programme for drawing on the balances; and (4) reduced dependence on the USA, bulk buying and long-term contracts with the Commonwealth.

It is no intervention in British domestic politics to point out that there is no reason to suppose that the USA or Germany would change their foreign trade policies and internal credit structures just because the UK is suffering from wage induced inflation. And why should anyone think that India, and other Commonwealth countries, would agree to limitations on the free use of their sterling balances held on demand in the UK? Finally, bulk buying would be a retrograde step towards re-establishing the barriers to the free flow of international trade erected during the war and got rid of with such difficulty since. International co-operation in balance of payments problems, and co-ordination of national credit policies to avoid competing inflations, unemployment and depressions, are admirable objectives which I have frequently supported, but it is one thing to enter into such joint enterprises voluntarily, on a footing of agreement among equals, and another to propose them unilaterally, as does the British Opposition, as a solution to the UK's particular problems. And note that the Opposition's proposals would not in fact touch the problem of British inflation.

In domestic policy, the Opposition urges (1) a return to controls which, as frequently explained here, attack symptoms and not causes. (2) A larger British budget surplus. This means higher taxes. But higher



The Story of Oil—5

Mapping buried rocks

Geophysics, which is the science of the earth's physical structure, aids the search for petroleum by making it possible to study the characteristics of rock layers buried deep in the earth's crust.

The geophysicist's main "tools" for this job are the gravity meter, and magnetometer, and the seismograph. The gravity meter and the magnetometer, as their names imply, measure the pull of gravity and the magnetic force of the earth. For the sedimentary rocks which may contain oil are lighter than others, and they are less "magnetic" than the harder rocks which never contain oil.

With the seismograph, the geophysicist can measure the intensity and timing of earth tremors. The men of a seismic crew bore a shallow hole in the ground, lower a charge of dynamite into it and set it off. The shock waves produced by

this miniature earthquake travel down, hit the layers of rocks beneath and bounce back to the surface where they are recorded by the seismograph. The waves are reflected strongly from hard rock and less strongly from soft rock. The length of time they take to reach a particular layer and to return indicates the depth of the rock.

All this information is recorded in the form of wavy lines on a chart. By setting off explosions at a number of points it is possible to map the various buried rock formations with a fair degree of accuracy.

When all the results of a geophysical survey have been compared, it may be possible to locate a rock formation that might prove to be oil-bearing. But even if such a trap is found, the only way of proving whether or not it contains oil is by drilling a test well.



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THE ECONOMICS OF GERMAN UNITY

(From Our Special West European Correspondent)

PARIS, December 22, 1957.

FOR the first time since the Geneva Summit conference the reunification of the two Germanies is again spoken of as a live possibility. The very conciliatory and un-warlike NATO conference that has just concluded in this city had as its main lesson the anxiety of all the European members of the pact to seek negotiations with the Russians, and at the present moment the most likely object of such negotiations is held to be a package deal involving German reunification and limited disarmament. So it is significant that Dr. Adenauer distinguished himself at this week's meeting by taking a noticeably more moderate line than the Americans. True, the conference's public decisions made no mention of any present hope of German reunification, but the NATO meeting took place in an atmosphere that had been created by George Kennan in London and by the Polish Foreign Minister in Warsaw. Both Kennan and Rapacki had put up the idea of a "de-atomisation" of Central Europe which could form the prelude to German unity, and both proposals aroused more than courteous interest. Kennan's plan was explicitly approved as worth study by circles as far removed from each other as the 'London Times,' the German Social Democrats and the Kremlin. It is in this context that the NATO meeting takes on specific meaning.

Kennan's plan could scarcely be accepted by the West German Government for in his BBC broadcasts the former U.S. Ambassador to Moscow stated the truth rather brutally when he said that in one respect German unity would have to be negotiated over the Germans' heads: the Russians and the Western Allies would have to treat Germany as the defeated party in the last war and force on her a limitation of her sovereignty. In other words, the new united Germany would have to be denied the right to re-arm or to join any military alliance. Thus the West would have to abandon its demand that the new Germany be left free to join NATO — a condition which, being totally and understandably unacceptable to the Russians, has been as much an obstacle to German reunification as the Russian refusal of democratic elections. A sacrifice of sovereignty in this regard indeed seems inevitable. Other sacrifices would be required, as much of the two world-power blocs as of the Germans, if Germany is to be reunited and neutralised, most of them political and military in nature. But here I wish to take up some of the economic problems that would be involved.

The economic problems that would be posed by an effort to reunite the two Germanies are immense, and of a sort never before faced anywhere in the world. None of them, perhaps, is absolutely insoluble once it is accepted that their resolution would require a period of extreme confusion and dislocation, for all the German people and possibly for their trading partners in the rest of Europe, both Communist and free. At the end of this period of upset, the certainty would be that a reunited Germany could achieve an economic expansion even greater than that recorded by West Germany since 1948. If this new and prosperous Germany were beforehand neutralised, such an expansion would not arouse too many misgivings elsewhere in Europe and indeed Germany would then be well placed to provide substantial economic aid to Russia. And this opens up the possibility that by undertaking to provide this aid, West Germany can buy her reunification with East Germany.

At the economic level, the proposal to reunite Germany means that two of the world's largest and most powerful economies are to be thrown together in total fusion. West Germany is the third or fourth industrial nation in the world (depending on which of her economic indices we compare with Britain's) and East Germany, although incomparably inferior to the Western part of the country, is still the second industrial power in Communist Europe and a kingpin in the Soviet empire. The complete unification of their economies into one system raises difficulties that beggar the much more modest problems of the European Common Market or Benelux, which yet have proved thorny enough. Such plans for economic unity are not only more limited but concern economies of roughly the same type and structure, whereas in Germany the question is how to re-unite one of the freest and most vigorous of capitalist economies with an economy in which free enterprise has been totally killed and where all economic power is in the hands of the State.

The sort of economic liberalism that has presided over the West German "miracle" is sufficiently well known. Less familiar is the extent to which dogmatic Communist economics have been carried in East Germany. Private property outside the household has been virtually abolished and certainly has no influence over the economic process. No less than 85 per cent of all East German industrial production comes from State or public enterprises. Wholesale trade is almost entirely — 98 per cent, to be exact — in the hands of the State. Even retail trade, which is generally regarded as the last stronghold of private operations, is monopolised to the extent of 66 per cent by the State retail shops ("Handelsorganisation") and co-operatives. Agriculture and the crafts, which appear at first to remain substantially in private hands, are in reality subject to such rigorous State control as to constitute a variety of public enterprise: the State provides raw materials or semi-finished products, tells entrepreneurs what to produce, how much and at what cost, then buys the output at fixed prices and distributes it. There is not even a significant black market to provide scope for "very private enterprise".

Labour control is of course complete, and does not cease with the employment of a person in a firm: his promotion is dictated from outside the business. As in Russia, there is a complicated system of double prices: certain quantities of a product are sold at low prices, the rest sold at prices maybe twice or four times as high. This system is applied particularly to basic foodstuffs and naturally amounts to a form of taxation, highly profitable for the State. Self-sufficiency has been pushed to limits unknown even in Hitlerite Germany. Finally external trade has been quite reorganised: whereas before the war 80 per cent of what was exported from East Germany went to West Germany, now 85 per cent of exports go to the Soviet bloc.

This model Communist economy, complete with its 200,000 new peasants installed on lands confiscated from people now in West Germany as refugees, is to be married with the Western Republic, the holy land of free enterprise tempered by oligopoly. To some extent this would be feasible, because the Western Republic is itself a federation and it is conceivable that new units be added to the federation within which special economic dispensations are suffered to continue. Thus

State enterprises would not be de-nationalised in the sense of being handed back to private ownership (which is in any case very difficult as the attempts to break up the German monopolies after the war showed), but could persist as provincial monopolies and "municipalizations." This would not alter the fact that the Communist economy would have been dissolved, for regional monopolies that operate within a free market are no longer State enterprises in the Communist sense. When the East German Communists talk about the need to "preserve the conquests of the social revolution" they cannot have any illusions about the fate of their State enterprises in a reunited Germany. More likely they mean that the distribution of landholdings in East Germany should not be disturbed. This is indeed a very reasonable request; land tenure in East Germany before the war retained too many feudal features, and even the Bourbons who had learnt nothing, forgotten nothing did not seek to upset the agrarian revolution accomplished in 1789. Most of the dispossession effected by the Communists in the East would have to be left undistributed by the government of a united Germany, though if it were to be true to the liberal principles of Bonn it would have to provide compensation to the refugees.

A lesser difficulty is that not only are the two economies of different types but there is great disproportion between their levels of development and prosperity. This is dangerous ground, because too much worked over by the propagandists of Communism and liberalism. Suffice to say that although East Germany has made a very creditable recovery under the onerous conditions imposed by Soviet occupation, her present condition cannot be compared with the booming Western Republic. A few, very few figures, point up the discrepancy. There are 360 motor cars per 10,000 inhabitants in West Germany, and only 36 in the East — just one-tenth as many. Moreover the Western vehicles have an average age of hardly seven years, against 20 to 30 years in the East. The manufactured cost of potassium in the East is ten times as high as in the

West, the cost of pig iron twice or five times as high. Even agricultural productivity per acre is higher in the West, although the East was the garden of Germany before the war. And so on. Still, there is nothing in these differences that could not be ironed out by a sort of Marshall Plan offered by Bonn to the re-found Eastern areas, a scheme that the Western Republic could easily afford.

In fact, West Germany could afford much more. She could afford, once the incorporation of Eastern Germany into her prosperous economy were well under way, to offer substantial economic aid to Russia. The Russians have already asked for this, characteristically adding that they could well manage without it but would appreciate it nonetheless. West Germany has a national product of 160,000 million marks a year, increasing annually at a rate not much under 10 per cent. This makes it possible for her to offer substantial long-term credits to Moscow, such as would reconcile Russia to the political loss of East Germany (that would be no economic loss, for the Eastern Republic is now a liability for the Russians).

In short, the vast prosperity of West Germany founded on an economic system that is the antithesis of Communism makes reunification with the East more complicated but also puts Bonn in a position to pay a price for this that the Russians would find interesting — provided of course that the political and military problems involved were meantime settled between Russia and the Western Allies. West Germany, or rather the united Germany in which she would dominate, would also have to undertake to continue to supply Russia with the uranium she now obtains from Saxony and Thuringia (where 100,000 men are working in Russian-managed uranium mines) and perhaps also to continue to honour all the obligations East Germany has been forced to accept in the industrialisation of the Soviet empire. At this price, the economic problems of German unification could be resolved.

WORLDGRAM

AGRICULTURE

Food Crops Sprayed with Pesticides in Bihar: About 7,800 acres of 'rabi' crops, including wheat, gram, lentil and peas, were aerially sprayed against pests in the Mokameh 'Tal' region of Bihar recently. The crops had been attacked by cut-worms, grasshoppers and field crickets. In response to a request from Bihar, the Directorate of Plant Protection, Quarantine and Storage of the Union Ministry of Food and Agriculture rushed a Beaver aircraft, technical personnel and insecticides for control of these pests. An average area of about 520 acres was sprayed daily.

INDUSTRY

Industrial Estates begin to take Shape: A number of Industrial Estates, where factory buildings and other facilities are being provided to small industries, have begun to take shape in different parts of the country. In the Rajkot Estate in Bombay State 19 blocks of four factory units each have been constructed. Small entrepreneurs have already occupied 14 of these blocks. The remaining are to be used for the Small Industries Service Institute. In the Industrial Estate in Okhla near Delhi, 21 of the 35 factories built have been occupied. Twelve small industrial units have already gone into production. In the Allahabad Estate 24 factories have been completed and the other ten are receiving the finishing touches. In the Estates at Palghat and Quilon in Kerala State, 16 factory units are under construction. In the Guindy Estate in Madras 30 factory units are nearing completion. In a number of other Estates in Uttar Pradesh, West Bengal, Mysore and other States, land for the Estate sites has been acquired and construction work is being taken on hand. In addition to these estates, already under different stages of construction, the Centre has sanctioned during the current financial year 30 more Industrial Estates to be set up in different States. Of these, six will be in Community Development Blocks, five in Pilot Project areas and the rest in other suitable places. Nearly Rs. 1 crore have been sanctioned for this purpose. Earlier in 1956-57 over Rs. 65 lakhs were sanctioned to the States for Industrial Estate schemes. The second Plan allocation for Industrial Estates has been raised from Rs. 10 crores to Rs. 15 crores.

Orders for Machines: Orders for 501 machines valued at Rs. two crores were booked with the State-owned Hindustan Machine Tools Factory here during 1957. Against these orders, the Factory despatched 267 machines valued at about Rs. 1 crore. The Factory produced during the year 311 machines valued at Rs. 1.24 crores. These included H-22 high precision lathes and heavy duty milling machines. The Factory had on its books pending orders for 256 machines at the close of the year.

Schemes to Increase Production of Quality Silk: Schemes for the development of the sericulture industry, designed to produce quality silk, have been approved by the Government of India. Under these, more mulberry plantations and silk worm rearing centres will be set up and training in sericulture will be provided. For implementing these schemes the Union Ministry of Commerce and Industry has sanctioned grants about Rs. four lakhs to the State Governments of Jammu and Kashmir, Assam, Madhya Pradesh, Andhra and Mysore.

TRADE

Indo-US Trade: The Deputy Minister for Commerce and Industry, Shri Satish Chandra, stated recently that there had been no decrease in India's over-all exports to the United States of America. The total exports to the United States in 1956-57 were worth Rs. 90.73 crores. Exports in 1955-56 were worth Rs. 87.12 crores and Rs. 89.23 crores in 1954-55. The imports from that country totalled Rs. 105.26 crores in 1956-57, Rs. 89.3 crores in 1955-56 and Rs. 82.22 in 1954-55.

Foreign Trade of India in August 1957: The provisional figures of foreign trade of India by all route, i.e. sea, air and land, on private and Government accounts during August 1957, according to data so far available in the Department of Commercial Intelligence and Statistics, Calcutta, are as follows: **Merchandise:** excluding transit trade of Pakistan and other overland foreign countries viz. Nepal, Tibet, Sikkim and Bhutan: Exports Rs. 59.87 crores, re-exports Rs. 38 lakhs, imports Rs. 80.98 crores; Total trade Rs. 141.23 crores. **Treasure:** exports (including re-exports of currency notes) Rs. 30 lakhs, others negligible. Imports of gold Rs. 3 lakhs, currency notes Rs. 6.25 crores, others nil. **Balance of Trade:** the merchandise import figures are exclusive of the value of certain consignments of Government stores awaiting adjustment. Subject to this deficiency in import figures, the total value of exports (including re-exports) of merchandise and gold fell short of imports by Rs. 20.76 crores.

Development of Indo-Norwegian Trade: Letters were exchanged recently, between Shri K. B. Lall, Joint Secretary, Ministry of Commerce and Industry, and H.E. Mr. Knut Lykke, Ambassador of Norway to India, extending the validity of the Trade Agreement between the two countries up to December 31, 1958. Some of the important commodities which will be available for export from India to Norway are tea, coffee, tobacco, jute goods, coir products, hydrogenated oils, shellac, mica, iron and manganese ores, woollen carpets, tanned hides and skins, cotton and woollen textiles, light engineering goods, plastic manufactures, hardware, including cutlery, and sports goods. Among the commodities available for export from Norway to India are mechanical and chemical pulp, newsprint, aluminium manufactures, including aluminium boats, galvanised and black steel pipes, testing machines, welding equipment, marine type diesel engines, machine tools, fishing vessels, calcium carbide, urea formaldehyde and miscellaneous machinery. The Government of Norway have agreed to include vegetable oils, manufactures of leather, including saddlery and other harness equipment, floor coverings including carpets, mats, etc., and oilseed cake and meal in the free lists for imports from India into Norway, when the balance of payments position makes it possible for the Norwegian authorities to do so. Meanwhile, the Government of Norway will give due consideration to applications for the grant of quotas to the new importers, who may wish to import goods from non-traditional sources of supply. The total value of imports into India from Norway during 1956-57 amounted to Rs. 3.37 crores. The dominating item in the list of imports into India from Norway during this period was paper of all kinds, the value of which alone stood at Rs. 1.3 crores. Other important items imported during this period were metals, pulp of wood, staple fibres (raw), art silk yarn, machinery, calcium carbide, aluminium and canned fish. The value of India's exports to Norway during 1956-57 amounted to Rs. 51 lakhs only. The main commodities



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exported to Norway from India were jute goods, coir and cotton textiles.

Trade with Germany: Indian exports to the German Democratic Republic during 1956-57 were worth Rs. 46 lakhs and imports worth Rs. 47.24 lakhs. It is reported East Germany had offered to supply to India industrial plants and certain other goods against purchase of Indian goods to the same extent. A contract had already been signed by the State Trading Corporation with a State Trading Organisation in East Germany, for the import of textile machinery to the value of Rs. 1.2 crores. Other deals on the same lines were under negotiation.

Indo-Japanese Trade: The Indo-Japanese Peace Treaty, which was concluded in 1952, provided that pending the conclusion of treaties or agreements to place their trading and other commercial relations on stable and friendly basis, the two countries would accord, on a reciprocal basis, for a period of four years, certain privileges to their nationals, trade, shipping, navigation, air traffic, etc. This provisional period ended on April 27, 1956 and was last extended up to December 31, 1957, by exchange of letters. As a result of the discussions held recently between Indian and Japanese representatives, this has been extended to March 31, 1958.

FINANCE

Balance of Payments with U.S.A.: According to preliminary estimates, India's Balance of Payments position with the U.S.A. for the first half of the current financial year stood at a deficit of Rs. 73.7 crores. No information beyond September, 1957, is yet available. The following are the details:

	(Rupees crores) 1957-58 (April-Sept.) Preliminary
Imports, c.i.f.	130.6
Exports, f.o.b.	41.7*
Trade Balance	-88.9
Official Donations (net)	9.6**
Other Invisibles (net)	5.6
Current Account (net)	-73.7

* Excludes exports of silver worth Rs. 74.4 crores to U.S.A. in part fulfilment of Lend-Lease obligations.

** Estimates for July-Sept. are provisional.

Of the total deficit of Rs. 73.7 crores, about Rs. 60 crores is estimated to have been financed by loan receipts under PL. 480.

Foreign Assistance Given By India: In 1956-57, a sum of Rs. 10 lakhs was given by India to the Government of Nepal under the Annual Treaty payment. A similar amount was given during 1957-58, under the same head. An expenditure under the Colombo Plan of approximately Rs. 15 lakhs was incurred for the provision of training facilities and services of experts to member countries of Colombo Plan. Also under the Colombo Plan, technical and economic assistance of the value of approximately Rs. 1.08 crores was given to Nepal for implementing its Five-Year Plan. Both these amounts were given for the year 1956-57. For 1957-58, a sum of approximately Rs. 9 lakhs was given up to November 30, 1957 and a sum of approximately Rs. 32 lakhs was given up to the end of September, 1957. Both these figures relate to assistance to Nepal under the Colombo Plan. A loan of Rs. 20 crores had been advanced to the Government of Burma for the economic development of that country. Another loan of Rs. 4.93 lakhs had been given to the Government of Indonesia for training Indonesian air force personnel.

This sum had been given out of an agreed loan of up to Rs. 50 lakhs.

Excise Duty on Unmanufactured Tobacco and Cigarettes: It has been decided to give relief in the basic excise duty to the extent of three naye paise per pound in respect of unmanufactured tobacco other than flue-cured, and mainly used for hookah, chewing, cigars and snuff. Thus the additional excise duty of three naye paise per pound, recently imposed on these varieties will be absorbed in the basic excise duty resulting in a substantial relief to the consumers. It has also been decided to give reduction in the basic excise duty ranging between Rs. 0.35 to Rs.4.10 per thousand in respect of certain varieties of cigarettes which were affected by the merger of surcharge in the basic duty in 1955.

GENERAL

New Life Insurance Policies: New life insurance policies completed by the Life Insurance Corporation of India up to November 25, 1957, amounted to Rs. 192.30 crores. The break-down of the figures zone-wise is as follows: Northern Zone Rs. 25.30 crores, Central Zone Rs. 25.61 crores, Eastern Zone Rs. 42.78 crores, Southern Zone Rs. 54.22 crores, Western Zone Rs. 44.39 crores.

Basic Education in India: The programme of basic education has now been accepted as the pattern of our educational system and elementary education is gradually being brought in line with it. The number of junior and senior basic schools for boys and girls increased from 34,878 in 1952-53 to 47,813 in 1955-56. The number of pupils in junior and senior basic schools rose from 30,81,524 in 1952-53 to 50,60,207 in 1955-56. The Government of India appointed an Assessment Committee in 1955 to make an 'on the spot' survey and enquire about the development of basic education in the country. The report of the Committee is under consideration of the State Governments and in so far as they are acceptable to them they are being implemented. On recommendation of the Standing Committee of Basic Education, the Government set up the National Institute in 1956 to conduct research in basic education and impart advance training to inspectors, administrators and other higher personnel.

Malaria Eradication in India: With the signing of the Indo-American Agreement in New Delhi, under which the full amount of foreign exchange requirements for the malaria eradication campaign in India during the second Five-Year Plan period, estimated at 38 million dollars, would be available as grant from T.C.M. funds, one of the biggest national programmes in the world for eliminating the scourge of malaria, would soon be going into operation. The aid under T.C.M. funds would be available over a period of three years beginning from 1958-59, and will involve a switch-over of the anti-malaria programme in this country from one of control to one of eradication. The Government of India have decided that the change-over should take over from the beginning of the next financial year. The eradication programme would be put into operation on a phased basis. In the first year of the programme i.e., 1958-59, 230 anti-malaria units operating in the country in different States would intensify their operations. During 1959-60 it is proposed to add 160 new units, and during 1960-61 the campaign would attain its full tempo. It is expected that before the end of 1960-61 the entire population of 360 millions would be covered by the programme. Thereafter the programme will be one mainly of surveillance. It is estimated that during the third year of the operation of the eradication programme, about 120,000 personnel of different categories would be engaged in working it.

NEWS IN BRIEF

INDIAN

The Government of India have received the export policy of niger seed and have decided to release a quota of 5,000 tons for export by all shippers during the period January-September 1958. Licensing procedure is being notified by the Export Trade Control authorities at the ports.

Implementation of the scheme of workers' participation in management will be carried a stage further when a seminar on Labour Management Co-operation is held at New Delhi towards the end of this month.

The Government of India has decided to allow export of linseed oil freely as hitherto during the period January-September, 1958, says a press note issued by the Joint Chief Controller of Exports.

It has been decided to release a quota of dried chillies for shipment, up to the end of March 1958 to all permissible destinations other than the hard currency countries.

The Indian Roads Congress is preparing a road development plan for the 20 years after the second Plan.

The Government of India has allowed the export of rice from any place within the Andhra Pradesh to any place outside the southern zone for 'bona fide' personal consumption up to a maximum of ten tons per month.

Discussions were held in Karachi from December 19 to 22, 1957, between the Indian and Pakistan Delegation on the review of the Indo-Pakistan Trade Agreement and the arrangements of the Ziratia tenants and improvement of transit facilities to Tripura.

It is reported that some offers had been received from 'Intertrade' a trading organisation in Yugoslavia for supply of industrial equipment to India on medium-term credit. The offers were being examined by the State Trading Corporation of India in consultation with prospective buyers.

Production of saleable steel showed an increase of 8,200 tons during December 1957 as compared with the previous month, according to a report released recently by the Tata Iron and Steel Company.

The Government of Bombay has abolished the levy of royalty on salt exported to foreign markets outside India. Hitherto the Government had been charging royalty on salt at the rate of 37 nP. to Re. 1 per ton in the area's of Saurashtra and Kutch.

The Sindri Fertilizer Factory has exceeded its production target for 1957 by 1,833 tons. During the year, the factory hit the highest mark in the production of ammonia at 95,089 tons, whereas the total output of ammonium sulphate was slightly higher than the previous year's level at 3,31,833 tons.

FOREIGN

The sterling area's gold and dollar reserves recovered another \$88 million in December to close the year at \$2,273 million. Payments of interest and also a small repayment of capital, totalling \$15.5 million were made in December on various dollar loans before the gain in reserves of \$88 million was calculated.

The East Pakistan Government has decided on the location of the Province's first fertiliser factory. It is to be built by a Japanese steel company at Fenchuganj about 130 miles north-east of Dacca. It is reported it would cost Rs. 150 million (£11.25 million).

German steel production in 1957 is expected to total 24.5 million tons, a 6 per cent increase over the 1956 output of 23.2 million tons of crude steel. The industry has extended until the end of the month its voluntary restriction of exports of merchant bars and concrete reinforcing of steel to 15,000 tons per month.

Egypt is to supply China with cotton, cotton yarn, textiles and rice under a £13 million agreement. In return, Egypt will receive soyabeans, meat, oils, iron, timber, tobacco, tea, trucks, machinery and steel products.

It is reported the German Government has proposed to Britain extension for another year of the trade agreement concluded on October 3, 1957.

Following talks in London, the Anglo-Cuban Trade Agreement of 1953 has been amended and extended to the end of this year.

It is reported production of the Dutch State coal-mines in 1957 was 7.2 million tons, or 270,000 tons less than in 1956.

Despite keen competition British exporters to the Far East were successful in increasing shipments last year, according to the annual report of the China and Far East Section of the Manchester Chamber of Commerce.

Communist China exported 9,600 million catties (equal to 4,800 million kilos) of food grains, and 10,000 million catties (5,000 million kilos) of soya beans during the current Five-Year Plan (1953-57).

Australian sheep population rose by 10.7 million or 7.7 per cent to a record total of 149.8 million at the end of last March.

Total public expenditure in Northern Ireland from April 1 to December 31, 1957, was £58,873,250 compared with £55,043,348 during the corresponding period last year. Income amounted to £53,391,656.

Portugal's budget, which has been balanced since 1928-29 shows an estimated surplus of 14 million escs. (5 million escs for 1957) for 1958.

The Yugoslav balance of payments on current account for the first ten months of this year shows a deficit of £251.7 million. Exports amounted to \$310.8 million and imports to £562.3 million (at the official rate).

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**THE ASSOCIATED CEMENT
COMPANIES LIMITED**

The Cement Marketing Co.
of India Private Ltd.

The Business World:

FOREIGN EXCHANGE SYSTEM IN YUGOSLAVIA

(CONTRIBUTED)

THE basis of the present Yugoslav system of foreign exchange was laid down already in 1945 by enactment of the Law on Foreign Exchange, which still represents a fundamental regulation in this field. The reform of currency was carried out in 1952 by establishment of a new parity of national currency (1 dollar for 300 dinars, instead of 50 dinars fixed earlier). At the same time the expressly administrative system of granting export and import licences was abandoned and a free market of foreign exchange was introduced (foreign exchange conversion office), through which the greater part of foreign exchange transactions is carried out.

Foreign exchange instruments introduced by this reform, instead of the former preponderately qualitative instruments, began to fluctuate under the conditions of deficiency in the balance of payments, stepped up economic development of the country and uneven supply and demand in the market. For that reason the proposed market mechanism in the field of foreign exchange—although consistent with the basic principles of the general economic system and market production—could not satisfy the needs of the country without some corrections, which were introduced in the foreign exchange system since 1952.

The main purpose of these amendments and supplements was to secure the necessary stability of foreign trade operations by subjecting the whole exports and the greatest part of imports to stable (disparity) rates of conversion, i.e. to the rates representing an average of double the official rate in 1952. At this level the internal market began to stabilise and home prices to be formed under the influence of supply and demand. However, owing to the disparity in prices resulting from uneven development of economy, as well as to the policy of prices, the system of accumulation and the foreign exchange system, the rate of conversion had to be corrected by special coefficients.

Some basic principles are characteristic of the present foreign exchange system. In the first place, the principle of liberalization of exports and imports practiced by all the economic organisations registered for this purpose in the foreign trade register. Only the products in which the home market is deficient are subject to the regime of restrictions and quotas. Foreign exchange means realised by exports must be ceded in total to the National Bank, though economic organisations are entitled to retain 1 per cent for covering accessory expenses incidents to exports. The National Bank pays the exporters the counterpart value of the foreign exchange ceded at the rate of conversion. For home products this rate of conversion is increased by special coefficients. If this coefficient is above 1, the exporter is paid at the rate of conversion besides the foreign exchange ceded, also the amount obtained by application of this coefficient at the rate of conversion, reduced by 1. Should the coefficient be under 1 the exporter must pay the corresponding difference. The same principle is applied to imports. Foreign exchange needed for payments of imports is also sold by the National Bank to the importers at the rate of conversion.

The former free market of foreign exchange has been reduced now to the role of marginal market with minimal transactions, through which foreign exchange is secured for imports of some most essential products and payments of secondary importance. The rates of exchange at this market are still formed freely—under the law of supply and demand—and represent at present an average of five times as much as the official rate.

Besides the aforesaid rate of conversion (double the official rate corrected for disparity of the respective currency) and the rate freely formed, official and premium rates are also applied. This means that the following rates are applied at present: Inflow (receipts):

- official rate—for non commodity inflow, except the one enjoying special premiums;
 - official rate increased by 33,33 per cent for inflow of foreign exchange from foreign persons and home catering enterprises;
 - official rate increased by 100 per cent—for inflow of foreign exchange for the benefit of private persons;
 - rate of conversion—for inflow of exchange (foreign) derived from goods and services.
- Outflow (payments):
- official rate—for non-commodity and commodity outflow of budgetary nature (government payments);
 - official rate increased by 33,33 per cent—for transfers of unspent sums of dinar means for the benefit of foreign persons;
 - official rate increased by 100 per cent for foreign exchange sold to private persons for travelling expenses abroad, and for purchase of unspent sums of foreign exchange from social organisations and institutions;
 - rate of conversion—for foreign exchange sold to importers at special meetings of the foreign exchange conversion office, and direct sale of foreign exchange for imports of equipments and reproduction materials;
 - free rate—for sale of foreign exchange at the meetings of foreign exchange conversion office (free market of foreign exchange).

NORTHERN RAILWAY NOTICE

From the 1st January, 1958, the following important changes will take effect in Time Table.

(a) Trains Cancelled.

- (i) No. 131 Up/132 Dn. Asansol — Bareilly passenger between Shahjahanpur and Bareilly.

(b) Additional Trains Introduced.

- (i) Nos. 1SB/2SB Shuttle Passenger I, II, III between Shahjahanpur and Bareilly.
- (ii) No. IBBK/2 BEK Shuttle I, II, III between Bhatinda and Kalanwali.
- (iii) Nos. 1 HDK/2 HDK and 1 DSD/2 DSD will also run on Saturdays and Sundays. On Saturdays No. 1 DSD will leave Vinay Nagar at 16-4 hours and arrive Delhi at 17-10 hours. No. 1 HDK on Saturdays will run to the timings notified in the Time Table.

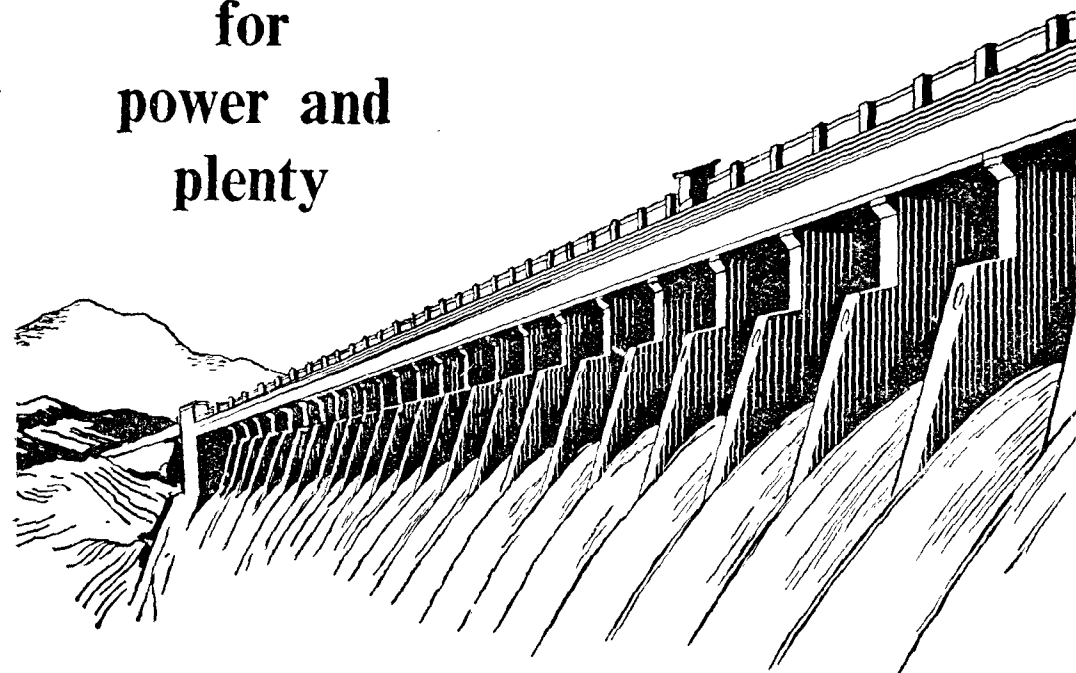
A cheap edition of the Time Table priced annas fours or twenty-five Naya Paisa, incorporating all the changes will be available for sale at Railway Book Stalls in the last Week of December, 1957.

CHIEF OPERATING SUPERINTENDENT
NEW DELHI.

FACTS BEHIND FIGURES

Astride India's rivers are rising mighty dams to bring power and plenty to the nation. With the completion of the major Plan projects, 171 million acre feet of India's river water will be harnessed. The new river valley schemes will release 2,000,000 KW power and irrigate 16 million acres. The total expenditure on irrigation, power and flood control during the next five years will be Rs. 913 crores, a 38% increase over the First Plan. These great development schemes constitute one of the most important aspects of the nation's efforts to achieve economic self-sufficiency. Texmaco, pioneer in many fields of engineering, working in technical collaboration with Voest of Linz, Austria, has constructed a wide range of hydraulic dam equipment for Rupar, Hirakud and other projects.

**171 million
acre
feet water
for
power and
plenty**



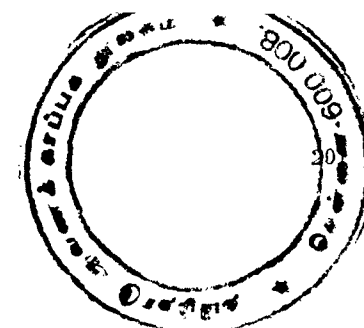
TEXMACO

serves India's basic industries

TEXTILE MACHINERY CORPORATION LIMITED

TXC-21

A DELHI DIARY



HAVING been absent for months, I am slinking in again hoping that in the goodwill of Christmas and the New Year I shall obtain ample forgiveness. I can boldly proclaim to the world that I was forbidden to write on January the 3rd, as this was, by an editorial decree which has no precedent, chosen as the date for the Annual Number for 1957. Therefore, my apparent lapse on that date does not imply that my New Year resolution to be constant in my duties this year failed so soon after it was made. Thus I am today in good heart. I have persevered in a New Year resolution for ten full days.

LEONARD CHESHIRE

The occasion which makes this return both a privilege and a pleasure was the "family day" celebration held at the Delhi Cheshire Home in Kalkaji. It is now called the Banarsidas Chandiwala Swasthya Sadan, and I must be forgiven for having introduced it by a far less high-sounding title. The beautiful building in Kalkaji was donated by Mr. Banarsidas Chandiwala in memory of his parents. But the Cheshire Home idea is really one of those splendid British ideas which will live and move and have its being in India long after the political acrimonies of our generation have been forgotten. I make bold to plagiarise from a publication on the origin of the Cheshire Homes.

"The founder, Leonard Cheshire", says my source, "achieved extraordinary eminence in the R.A.F. during the last war. At 25, he was the youngest Group Captain and was awarded the Victoria Cross, the D.S.O. with two bars and the D.F.C. He was an official observer when the second atomic bomb was dropped in 1945. This shattering experience changed the whole direction of his life and that of many others. At the end of the war, Cheshire decided to renounce whatever conventional career his record and fame would have suggested and set himself to a new task in life. In May 1948, he came across an old man dying of cancer whom no one wanted and who was about to be discharged from hospital. After trying very hard to find somewhere else for him to go but without success, he took him into his own house and nursed him until he died. In the course of doing this, he discovered others who were in much the same situation, and took them in too, turning the house into a home for the incurably sick."

On this particular occasion, we had the pleasure not only of hearing about Leonard Cheshire but seeing him in person with his aged mother and father who have flown out with him to participate in the first Indian Family Day. He spoke in the simplest way of his gratitude for the way India has responded to his idea. He spoke a trifle humourously about how the little money with which he was intending to make a beginning in India disappeared "in the customs". It was, however, like casting his bread upon the waters, because he found (and not after many days) that Rajkumari Amrit Kaur took an interest in the Delhi project, from which date it acquired both a mother and a father and ceased to be an unwanted orphan. For the other projects there was a human dynamo available in Col. Leslie Sawhny. Leslie Sawhny (Duggie to his friends) who is, perhaps, better known for his splendid work in the Associated Cement Companies, is Chair-

man of the Trustees, and brings to his task the imagination and drive which he has given to many other institutions. He spoke feelingly about the great privilege it was in this age, in which the newspapers bring "horrors" to us every day, to be able to assist in the abatement of suffering. He mentioned six instances of dedication in the Indian homes and talked about how one's pulse beats more strongly when it was in company of persons such as these. May I say that most of us who visited the Home in Delhi today felt our pulse feel a little more strongly even outside the company of the six? Perhaps pulses, like so much else these days, indulge in chain reactions!

I was particularly struck by the joyful face of a young incurable patient, who sang a song for Lady Macmillan and was ready to do it all over again for anyone who asked. I will not tell the whole sad story but, I think, everybody facing death has here a great lesson to learn; I wish I could learn it this way!

I must not forget the occasion was not merely the Family Day of Cheshire Home. It was only the first engagement of Lady Dorothy Macmillan in India. We discovered in the course of Group Captain Leonard Cheshire's address that she was "just like one of us" and at week-ends rushed into trains carrying her own suitcase, and one of them (at least) had a broken handle. In responding Lady Dorothy said that she since got a new suitcase to which Group Captain Cheshire's sad response was he would not be able to tell that story again. It was a most joyful occasion full of the joy which comes from the renewed faith one gets in human nature when two or three are gathered together and one feels there is a spirit which is new amongst them. Has this, or has this not, a Biblical ring? Can it be that when one comes to great human fellowship nothing has changed in two thousand years?

A NEW SILK ROAD?

A brilliant statistician, now encountering ancient history for the first time, tells me he has statistical evidence to show that the ancient trade route to the Far East has been replaced by a new Eastern air corridor. He calls this the modern counterpart of the old Silk Road to China. Happily, this new route passes through New Delhi, where the trade consists not of silk or spices, but diplomatic conversations and tourism, in that order. The fact that this week we have had two Prime Ministers and one President from abroad seems to show that at least half the thesis is proved. The fact that the Ashoka Hotel has been nearly full for the last two months may be circumstantial evidence to assist in the proof of the other half. Almost everyone is now convinced that New Delhi has a tryst with Destiny; Destiny's instruments now, as always, come from Heaven; but, today, they use aeroplanes!

A HAPPY NEW YEAR

I must not forget the most important point. I must wish all our readers, and particularly, may I say, the two fans I have in Delhi, a most joyful and prosperous New Year!

ARGUS.

BUSINESS NOTES

A COMPANY'S PERFORMANCE

INTEREST IN the oil industry is unceasing because of its size and the part it plays in the economic life of a country. Burmah-Shell Oil Storage and Distributing Co. of India Ltd. has done well to issue a brochure entitled 'Survey of Activities—1956' which gives a brief review of the industry and deals with the salient features of the Company's activities during the year. Total consumption of petroleum products in India increased by approximately 8 per cent during 1956 over the previous year, the increase being largely reflected in kerosine and high speed diesel oil. Despite this increase, per capita consumption at three gallons per annum is still very low compared to the world average of some 70 gallons a year and the average in the advanced countries of over 500 gallons per head. The brochure gives a graphic account of Burmah-Shell's organisation, which covers 7 Installations, 579 up-country depots and over 6000 main agencies and dealerships for the distribution of a wide range of petroleum products throughout the length and breadth of the country. These agents and dealers are business men working in close association with the Company, in many cases for several generations and quite often combine it with other business of their won. They are a vital link in the chain of distribution to the consumer.

The brochure is illustrated with photographs giving some facets of its activities and several interesting charts which are produced with characteristic elegance. These go to show that the price of petroleum products has remained steady in contrast to the wholesale general index and the wholesale prices of other basic commodities. Burmah-Shell's trading receipts in 1956 amounted to Rs. 115 crores; of these receipts over 28 per cent were paid into Government account. The net earnings at 2.87 per cent of turnover and approximately 5.96 per cent of the capital employed in the business can only be regarded as reasonable by any standards.

EXPANSION PLANS OF FACT

DR. JOHN MATTHAI'S speech as Chairman at the annual general meeting of the shareholders of the Fertilisers and Chemicals, Travancore Limited, must be reassuring. He explained that the Company had come to the end of the period of difficulties and teething troubles. With the plans for expansion already decided, it is obvious that the earning capacity of the company will considerably increase. Dr. Matthai also expressed the hope that the expanded plant in production may fructify before the end of 1959. Among the difficulties that the Company had to contend with was the higher cost of production consequent on the use of firewood as raw material for the production of ammonia and shortage of raw materials and periodic restriction of power supply which kept production at a low level.

Dr. Matthai pointed out that while the working results of 1957 might not show any perceptible improvement, the results of 1958 would enable the company in some measure to fulfil its obligations and by that time the balance of the accumulated losses would have been wiped out. Among the various factors that should go to provide optimism are the plans for expansion for which the Industrial Finance Corporation has sanctioned a loan of Rs. 256 lakhs and the provision of cheap power consequent in the new hydroelectric power stations which have been set up in the State. Dr. Matthai also pointed out that since the price, which was suggested by the Expert Committee for the product of the Company was not sufficient to cover actual costs, they proposed to take up the question of price with the Government of India. On all accounts it would appear that the future of the industry seems to be quite bright and though no regular dividends

have been declared, it is worth mentioning that the factory has been able since its inception to produce and market about 2½ lakhs tons of ammonium sulphate and one lakh tons of super-phosphate. Thus its contribution to the stepping up of food production has been quite substantial.

ASSAM RAILWAYS AND TRADING COMPANY

IN HIS statement to the annual meeting of the Assam Railways and Trading Company Limited, Sir Frederick C. Bourne, Chairman, has pointed out that the results of the company's operation this year would have been satisfactory but for the heavy losses incurred by their collieries. The basic difficulty had been over the inadequacy of the price fixed by Government for coal. During the year under review, an increase in the coal price was made consequent on the representations made, but this seemed to cover only the increased payments made to the employees under the Wage Award. The interim increase in the selling price of coal granted since October 1957 proved insufficient to prevent further losses, but the Chairman expressed the hope that when the Coal Prices Revision Committee submitted its final report, a further increase in the coal price would be granted.

The Chairman mentioned certain details of the working of the Company which were quite revealing. Thus during the period, while production had increased by an average of some 40 per cent, the cost of mining labour had increased by 200 per cent and that of mining materials by 300 per cent. At the same time, the selling price was increased by 60 per cent only. The Chairman had no doubt that given a fair price, production would be very materially increased by capital expenditure on necessary machinery and power. On the other hand present conditions would only result in the running down of the collieries. The Chairman clinched the whole issue thus: "In the year under review, our loss on coal production has absorbed all the profits made in our other undertakings, which in effect are thus subsidising the present selling price of coal more than half the production of which is allocated by the Coal Controller to the State Railways. Such treatment of existing industries does not appear to be likely to attract investment of new foreign capital in industry."

MYSORE KIRLOSKAR

SPEAKING AT the annual general meeting of the Mysore Kirloskar Ltd., the Chairman explained the good progress made by the Company and the future plans for expansion. Though during the year under report, there was a setback in production, the sales during the year showed a higher figure as compared with the previous year mainly due to the drawing on the previous year's closing stocks. The additions to fixed capital expenditure was Rs. 6.92 lakhs, Rs. 4.08 lakhs being in respect of machinery and plant. Thanks to the successful negotiations with the Industrial Finance Corporation for a loan of Rs. 25 lakhs, the Company was now in a position to expand its existing lines and take up the manufacture of Capstan and Turret lathes. The Chairman was legitimately proved of the fact that the Capstan lathe whose 'switch on' ceremony was performed recently would be 100 per cent Indian in that every part of it including its design and drawings were done in the factory.

The Chairman listed the various difficulties confronting the company in respect of securing raw materials as well as adequate rail transport and also due to various Government measures which placed them in the unenviable position of not being able to expand and at the same time being compelled to bear heavier and heavier burdens. However, it had become necessary to raise additional capital to the extent of Rs. 5 lakhs since it was one of the conditions governing the loan of the Industrial Finance Corporation, but he had no doubt of success in the new issues.

what a map, Bhai Sahib!

A map of India, of course, but the dots and stars tell a special story—our story. They represent the 2,242 depots and five factories of our production and distribution network.

One salesman, Bhai Sahib, is in charge of each depot and he supplies factory-fresh tea to your grocer.

This direct system of distribution is organised solely to protect your

interests, Bhai Sahib. There are no middlemen, no delays, and we are certain of giving you really fresh tea at fair prices.

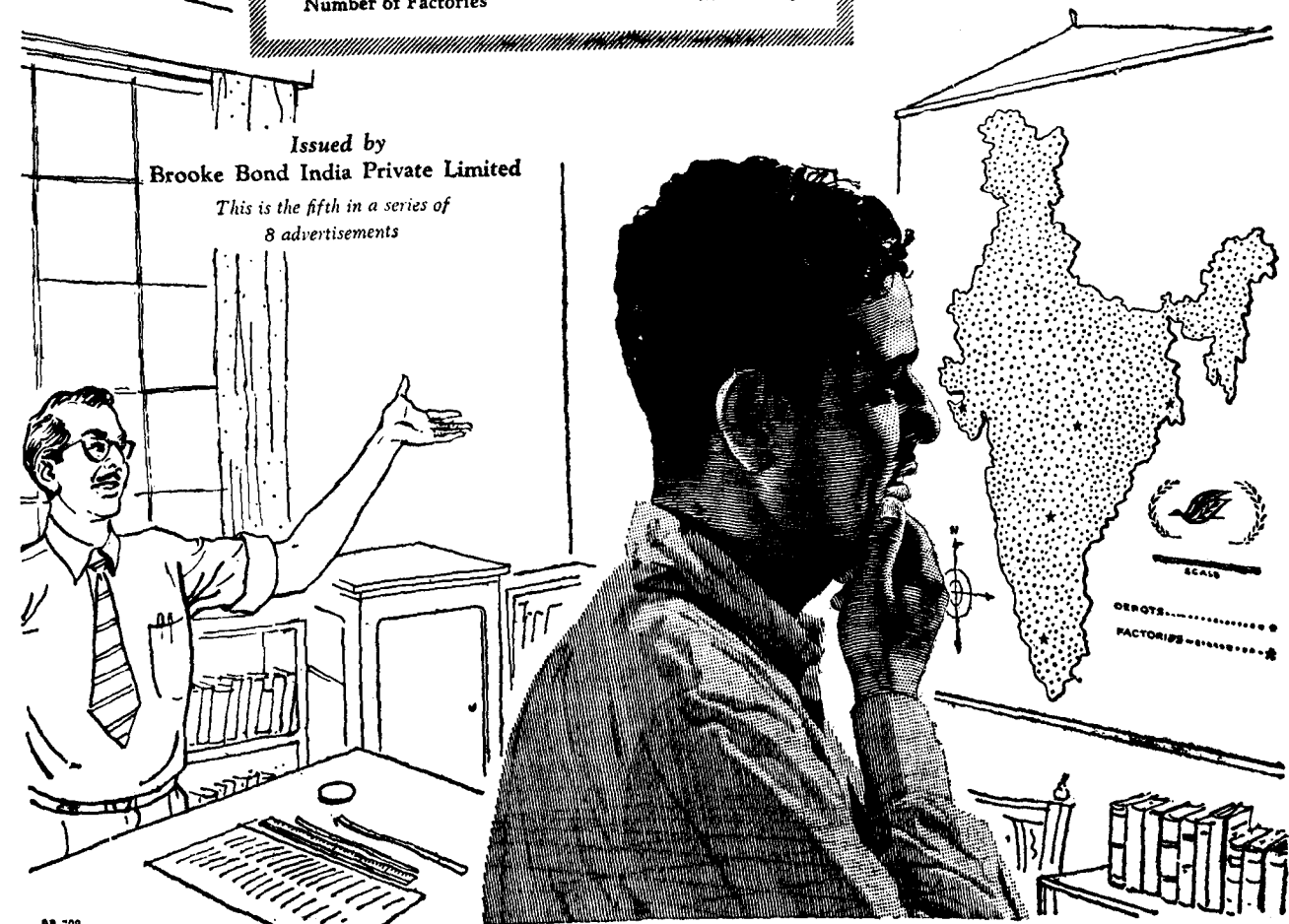
The quality of your Brooke Bond packet is thus guaranteed. All this costs nothing extra, Bhai Sahib. On the contrary, this is the only way in which it is possible for us to assure you full value for your money.

HERE ARE SOME FACTS ABOUT BROOKE BOND DISTRIBUTION, BHAI SAHIB:

Number of Brooke Bond Depots and Sub-Depots	2,242
Number of Brooke Bond Sales Staff	2,276
Number of Distributing Godowns	165
Number of Branch Offices	28
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This is the fifth in a series of
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ERW* STEEL TUBES

fill a basic need in industry

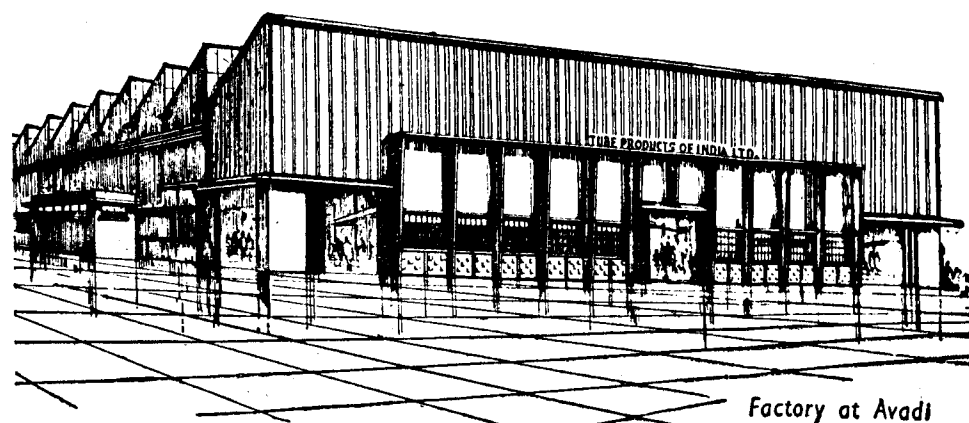
IN the developing tempo of industrialisation in India, the part that ERW steel tube plays cannot be overemphasised. The bicycle industry is entirely dependent on it. Motor cars, locomotive boilers and transformers are some of the highly specialised industries which require ERW steel tubes in large quantities. It is in extensive use in body building and interior furnishings in buses, trains and ships. Its use in home and office furniture is becoming increasingly popular. ERW steel tubes combine great strength with exceptional lightness.

For nearly thirty years Tube Products Limited, Oldbury, have been the principal suppliers of ERW steel tubes to India, familiar to the trade as TRU-WEL tubes. Now these world famous tubes are produced in India by Tube Products of India Limited. Promoted as a joint venture between Murugappa & Sons, Madras, and Tube Investments Limited, Birmingham, U. K. (through their subsidiary, Tube Products Limited, Oldbury, Birmingham), Tube Products of India Limited

supply these tubes in increasing quantities.

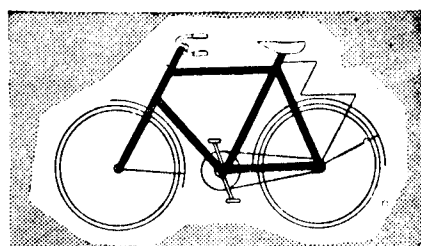
Murugappa & Sons, who lead in India's cycle industry with their composite manufacturing unit in the T.I. Cycles of India Limited, promoted and worked in collaboration with Tube Investments Limited, are happy that yet another important industry of great magnitude has been developed and worked to the satisfaction of their customers.

* Electric Resistance Welded

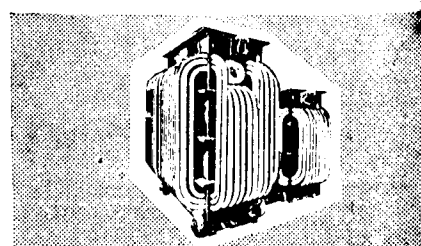


Factory at Avadi

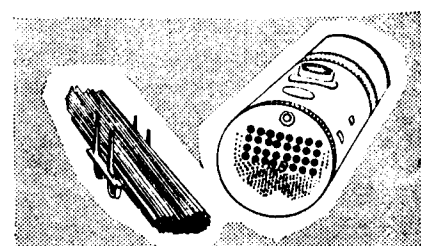
Tube Products of India Limited, "Swastik House" 106, Armenian Street, Madras-1



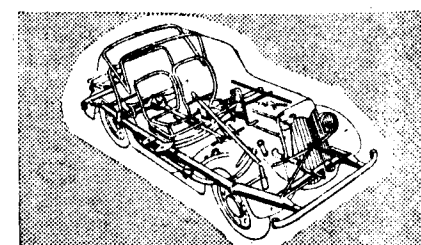
TRU-WEL steel tubes have played a decisive part in the evolution of the slim, light and immensely strong cycle of today.



Cooling tubes for transformers - an example of electrical equipment to which TRU-WEL tubes provide a foundation of dependability.



Flawless accuracy and uniform finish make TRU-WEL tubes ideal for locomotive boilers.



TRU-WEL tubes are as essential as tyres to the modern motor vehicle. Their applications range from small tubes for radiator overflow pipes to outsize tubes for rear axle casings.

Company Meeting

THE FERTILISERS & CHEMICALS, TRAVANCORE LIMITED, ALWAYE.

Speech delivered by the Chairman Dr. John Matthai, at the Thirteenth Annual General Meeting of the Shareholders on Saturday the 28th December 1957.

Gentlemen,

I have pleasure in welcoming you to this the Thirteenth Annual General Meeting of the Company and presenting to you the Accounts of the Company and the Report of the Directors for the year ended 31st December, 1956. As these have been circulated to all the shareholders I presume they may be taken as read.

Before I deal with the general working of the Company, I would like to explain the delay in holding this Annual General Meeting which normally should have been held before the 30th of September. As you are aware, this is a Government Company under the new Companies Act, and for Government companies a more elaborate procedure has been laid down for audit. The Auditors of a Government Company have to submit a copy of their report to the Comptroller and Auditor General of India who has the right to comment upon or supplement the audit report. Being the first audit under the new regulations, it has taken a longer time to go through the procedure than was originally anticipated. I have no doubt that such delays will be eliminated and that it will be possible to present the accounts before the end of September in future.

As you will have seen from the printed report, the working of the Company has resulted in a net profit of just over Rs. 8 lakhs for 1956. While this profit appears small compared to the capital invested in the Company, considering the difficulties that we encountered during the year, the results may be considered not unsatisfactory.

At the outset, I would like to answer a question which perhaps is uppermost in your minds as shareholders, namely, why the Company has not been able to give any dividend for the last thirteen years excepting 2½ per cent dividend declared for the year 1950. When I was invited a few months back to join the Board of Directors as its Chairman, the same question occurred to my mind. The answer to this question is briefly that the Company was a pioneering venture in as much as it had to develop a process for the production of ammonia utilising firewood as the main raw material. The working out of the process involved many difficulties in the early stages. There were also other problems such as shortage of raw materials and periodic restriction of power supply which kept production at a low level. I believe we are coming to the end of the period of difficulties and teething troubles. Meanwhile they have resulted in an accumulated loss of Rs. 45 lakhs. This is the main factor that prevented the declaration of a dividend during the last two years when we made some profit. The accumulated losses have been reduced to Rs. 23 lakhs by the working result of the last two years. It must be realised that this loss has been arrived at after providing Rs. 2.19 crores towards depreciation which is a liberal provision by any standard. In making this provision, your Directors were guided by the fact that measures for consolidating the position of the Com-

pany at this stage would be to the ultimate benefit of the shareholders.

I would like to take this opportunity to dispel the fears that appear to be entertained by some of the shareholders about the future of the industry. Although no regular dividends have been declared, this factory has been able since its inception, to produce and market about 2½ lakhs tons of Ammonium Sulphate and one lakh tons of Superphosphate thereby helping substantially to step up the food production in the country. By the manufacture and sale of the above fertilisers as also industrial chemicals like Ammonium Chloride, Sulphuric Acid and Ammonia, this company has also contributed its fair share in saving foreign exchange.

This contribution by itself I fully realise will be poor consolation to shareholders who have patiently waited for a long time without any substantial return on the capital they have invested. The present indications are that while the working results of 1957 may not show any perceptible improvement the results of 1958 will enable the company in some measure to fulfil its obligations to the Shareholders. It is hoped by that time that the balance of the accumulated losses would have been wiped off. I may assure you that your Directors are fully alive to the situation and will do whatever lies in their power to remedy it.

When the Company started commercial production from August 1948, Ammonium Sulphate was very much in demand in the country and in spite of low production it might have been possible to sell the product at a price which would have ensured a return on capital also. But being a material essential for food production in the country, we had to market our product by fixing prices in relation to comparable articles imported from abroad without duty. In this respect this industry is placed at a disadvantage in comparison with other chemical industries in the country, as most chemical products except fertilisers are being sold in the country at prices which are in parity with the prices of imports plus duty ranging between 25 and 40 per cent.

Since the commencement of production by the Sindri Fertiliser Factory from the year 1952, we were faced with the additional problem of having to compete in the open market with the product of a concern, which by its size and location is able to produce Ammonium Sulphate at a considerably lower cost. It may be asked why Sindri's production cost is lower than ours. As I indicated earlier, our factory was designed specially for the use of firewood in the manufacture of ammonium sulphate. We had to adopt this process owing to the non-availability of coal or coke near this area which naturally made the cost of production higher as compared with Sindri. In view of this handicap your Managing Agents submitted a memorandum to the Government of India pointing out these difficulties.

The Government of India, as a measure of immediate assistance, agreed to include the production of

this factory in the Central Fertiliser Pool. They also appointed a Committee headed by Dr. Nagaraja Rao, Chief Industrial Adviser to the Government, to investigate the reasons for the higher cost of production in this factory and to suggest ways and means of bringing it down. The Committee was also authorised to go into the costing of the product and to recommend a fair price for our product. The Committee went into the various aspects of production in this factory and arrived at a price based on the rated production. But since we could not sustain rated production due to reasons beyond our control, this price was not sufficient to cover our actual costs. I propose to take up the question of price with the Government of India and I hope to report to you the result at the next meeting.

Under their terms of reference the Committee recommended an expansion of output for bringing down cost and putting the Company on a competitive footing. The specific recommendations included doubling the Ammonium production and utilising the additional Ammonia for increasing the Ammonium Sulphate production by 50 per cent and for Ammonium Phosphate production. These measures besides increasing the production and thereby bringing down costs would also render production more diversified. Ammonium phosphate which will be manufactured for the first time in India will have the advantage of not having to face competition as in the case of Ammonium Sulphate. In the implementation of these measures, the Committee recommended production of Hydrogen by the Electrolytic Process since new Hydro-electric power stations have been set up in the Kerala State recently providing cheap power. They recommended also that as a second stage, the present wood Gasification Plant which they found uneconomical in the present context should be replaced.

The Government of India accepted the recommendations of the Expert Committee and a loan of Rs. 256 lakhs was sanctioned by the Industrial Finance Corporation for their implementation. Since the scheme was sanctioned, the position regarding foreign exchange became difficult and it became necessary for the Company to negotiate with foreign suppliers for deferred terms of payment for most of the equipment ordered. These negotiations have been successfully completed and I am glad to inform you that as on date orders for all the major plant machinery have been placed abroad. Based on the promised dates of deliveries, we may hope to see the expanded plant in production before the end of 1959.

I would now like to refer to the most important causes that contributed to the lower production during the year under review.

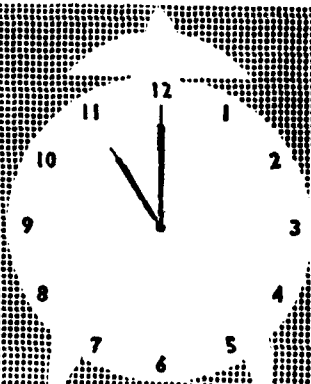
As most of you may know, there was a mishap at the Pallivasal Power Station as a result of lighting which completely put that station out of operation. The accident was serious but as a result of organised effort on the part of the Electricity Department the shut down which could have extended over a month was shortened and the station brought back into commission in the course of three weeks. The mishap, however, resulted in the loss of production in our factory to the extent of practically one month.

A disturbing situation which developed during the year was the strike of our firewood transport Contractors which lasted nearly 45 days. Even though the Factory did not have to suspend production as a consequence of the strike, the repercussions on labour generally led to a considerable lowering of production. The strained relationship that existed between the Management and Labour during the whole of the year has been a matter of concern and regret to us. The previous agreement with the Employees' Association

which expired by the end of 1955 was followed by a fresh Memorandum of demands involving large financial commitments. In spite of the best efforts on the part of your Directors it was found impossible to come to an amicable settlement. The Government, therefore, referred the disputes for adjudication to the Industrial Tribunal which the Employees' Association, however, chose to boycott. A settlement was eventually arrived at on these demands in June this year and we are now endeavouring to bring about a better understanding with labour so that we could work together to maximise production on which so much depends not merely for the Company but for the country. I am aware of the difficulties of labour but obviously we cannot solve them if production is kept down. I would therefore appeal to all concerned for a determined and co-ordinated effort to increase production to the fullest extent possible.

Before I conclude, I wish to express our grateful thanks to the Central Government and the Governments of Kerala and Madras for their support in overcoming the difficulties that confronted us during the year. I would also like to commend to you the good work done by the Managing Agents and the Members of the staff during a particularly difficult year.

Note: This is not the proceedings of the Annual General Meeting but only the speech of the Chairman.



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1957, was adversely affected by the explosion at Tipong Colliery.

As regards leases, for many years we have been negotiating the issue of a lease for the Tipongpani-Lekhapani area, which should have been renewed in 1947. We seem to be within sight of the execution of a lease in the near future, though we are still hoping to avoid the insertion of one or two objectionable clauses.

The Government of India are on record as making it their object to "allow a fair return on capital employed in industry and reasonable reserves for the maintenance and expansion of the undertakings." If price control were regulated in accordance with this statement, there could be no grounds for complaint. In our case, coal continues to be sold at a price well below the cost of production, affording no sort of return on investment made, let alone the possibility of provision for replacements or expansion. Given a fair price there is no question but that production could be very materially increased by capital expenditure on necessary machinery and power, while present conditions can only result in the running down of the collieries. In the year under review, our loss on coal production has absorbed all the profits made in our other undertakings, which in effect are thus subsidizing the present selling price of coal, more than half the production of which is allocated by the Coal Controller to the State Railways. Such treatment of existing industries does not appear to be likely to attract investment of new foreign capital in industry.

SERIOUS AND UNFAIR POSITION

Shareholders will appreciate the serious and completely unfair position in which we are placed. Throughout the history of our collieries no such position has ever been experienced. It has always been necessary to spend substantial sums on development if output is to be maintained, which can only be provided by profits. As will be seen from the notes on the accounts, since the year 1945 no less than £600,000 has been invested in capital expenditure, more than half of which is in connexion with the collieries. The situation today is no different except that owing to inflation, the rate of essential expenditure will increase.

During the five months April to August, 1957, the collieries have incurred a loss of Rs. 7 lakhs, although output and sales have not been appreciably below those for the similar period of the previous year, our staff in Assam having spared no pains to maintain production at the best possible figure. It is all too apparent that the position is an impossible one unless Government are prepared to sanction a substantial increase in our selling price.

The veneer mills, as already mentioned, have had a successful year. The timber supply position is showing signs of falling short of our requirements, but we hope to obtain fresh sources of supply for which negotiations are in progress.

At the end of the year under review a decision was taken to introduce hot-pressing in the veneer mills, and it is hoped that this will increase the efficiency of our production of tea boxes.

LOYAL AND EFFICIENT STAFF

The relations between the Company and its employees continue to be satisfactory. Our staff in Assam have continued to work with the utmost loyalty and efficiency; the results reported from the veneer mills are in themselves a testimony to the competence and enthusiasm of Mr. Higgins and Dr. Iyer. Mr. G. E. D.

Walker, our general manager, is untiring in his efforts to provide the Company with the highest possible standard of service. The staff of the London office should not be overlooked. Their competence has come to be accepted as a matter of course, which in some sense is a compliment to them; but they should get credit for much willing and efficient work.

The report and accounts were adopted.

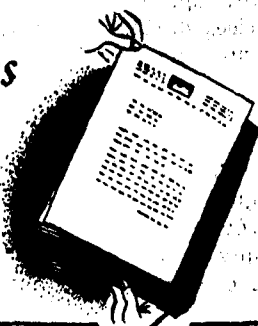
The retiring directors, Sir Frederick C. Bourne, K.C.S.I., C.I.E., and Mr. F. J. Salberg, C.I.E., M.B.E., were re-elected and the remuneration of auditors, Messrs. Price, Waterhouse & Co., having been fixed, the proceedings terminated.

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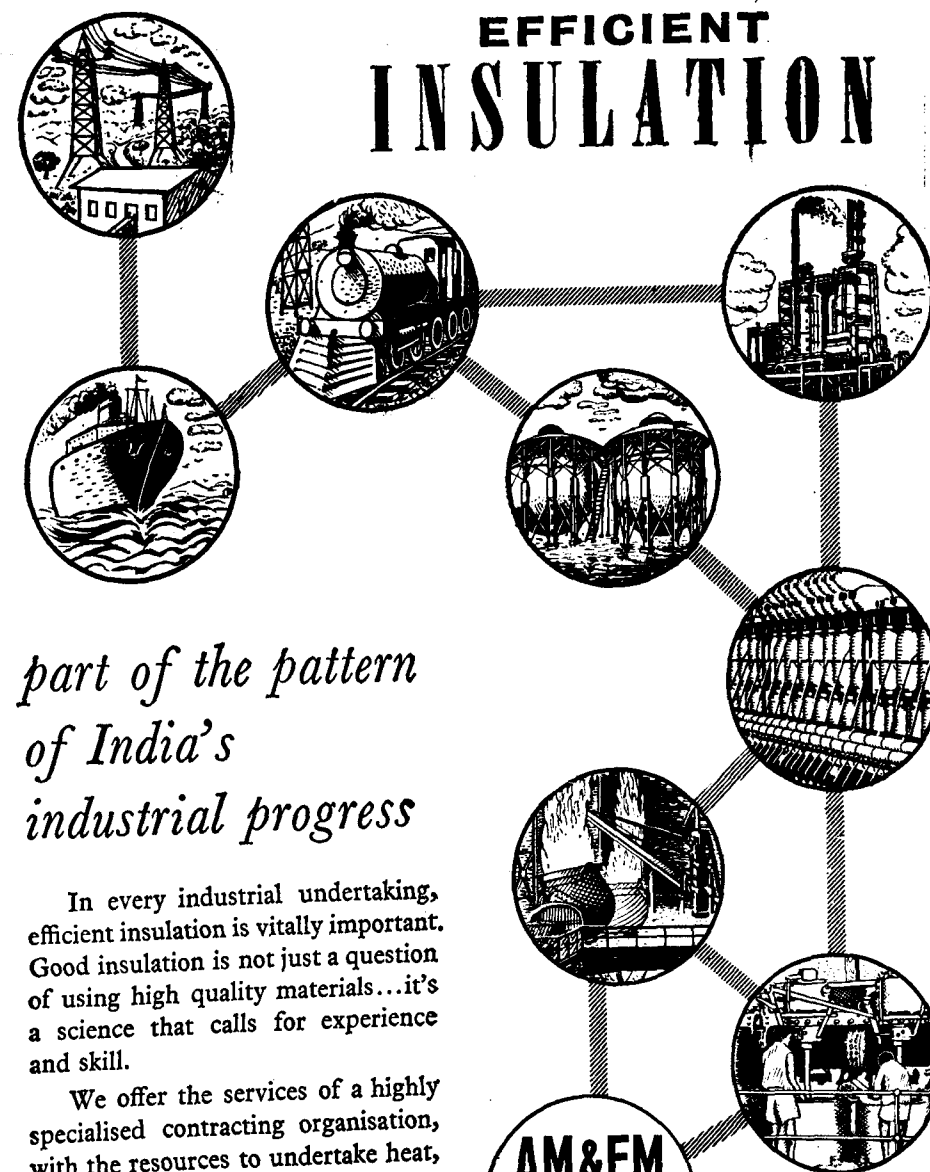
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Company Meeting

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EXCERPTS FROM THE SPEECH OF THE CHAIRMAN, DELIVERED ON MONDAY THE 30TH DECEMBER, 1957 AT HARIHAR AT THE TIME OF THE ANNUAL GENERAL MEETING OF THE COMPANY

Ladies and Gentlemen,

It is my privilege and pleasure today to extend to you all a most hearty welcome to the "Sixteenth Annual General Meeting" of your Company.

The Balance Sheet as at the 30th June, 1957 and the Profit and Loss Account for the year ending the 30th June, 1957 together with your Directors' Report and the Auditors' Report have been already sent to you separately. I presume that you have gone through them and have acquainted yourselves with the details given therein. With your permission, therefore, I take the same as read.

During the year under report the factory worked for only ten months because there was a strike for two months. The statements of accounts give the figures also for the last year ending 30-6-1956 and this must have helped you in setting a fair comparative idea of the business done during the two years.

Though there was a set-back in production as a result of the strike, the despatches, that is, sales during the year 1956-57 show a higher figure at Rs. 54.43 lakhs as compared with that of the previous year. This is mainly due to the drawing on the previous year's closing stocks.

The additions to fixed capital expenditure amount to Rs. 6.92 lakhs, Rs. 4.08 lakhs being in respect of machinery and plant. This is in accordance with the policy of the management of steady development of the factory from year to year. This policy has been followed all these years.

As you must have seen from the Directors' Report, the negotiations with the Industrial Finance Corporation of India, for a loan of Rs. 25 lakhs have been concluded and this loan is proposed to be drawn in suitable instalments spread over a period up to September, 1958. The purpose of this loan is mainly to expand our existing lines and to take up the manufacture of Capstan and Turret lathes. I am glad to inform you that your factory has only recently, that is, on the 5th of this month, celebrated the "Switch On" ceremony of the Capstan lathe at the hands of the Chief Minister of this State. It is a matter of pride for all of us to know that this lathe is 100 per cent Indian, in that, every part of it, including its design and drawings are done in this factory.

The Management has been alive to the needs of the workmen and has been doing its best in meeting their claims, consistent with the capacity of the Company to meet such claims.

It is necessary to refer to some of the difficulties that your Company is required to face and I shall deal very briefly with them now.

Depreciation and Rehabilitation allowances: The Central Government have provided for certain relief in the Indian Income-tax Act in respect of manufacturing concerns by granting certain extra depreciation allowances and also by providing for the development rebate. While the extra or additional depreciation allowances amount only to a temporary financial relief which gets itself nullified by lower depreciation in subsequent years, the development rebate allows only a partial relief, in that, an amount to the extent of 25 per cent of the original value of the machinery, is allowed to be provided for over and above the full 100 per cent depreciation.

Wealth Tax and other Measures: The imposition of the Wealth Tax and the compulsory deposit of reserves with the Government has resulted in adding further difficulties in the way of the industries. If the industries are to meet these claims, they must expand their activities; but on the other hand, the restrictions imposed on imports of machinery and other required goods, due to the foreign exchange problems make expansion very difficult.

Ladies and Gentlemen, I now wish to say a few words about the need for raising the capital of this Company. The question of raising the paid-up share capital of your Company has been engaging the attention of your Directors for sometime past. The matter still requires further detailed consideration and a decision in this respect will be taken by your Board as early as possible. I take this opportunity, however, to request you that should a decision for further subscription is taken you should extend the same co-operation as hitherto in subscribing to the new issue and also inducing your friends to subscribe to such issue.

I now propose that the Balance Sheet and the Profit and Loss Account and the Director's Report be adopted.

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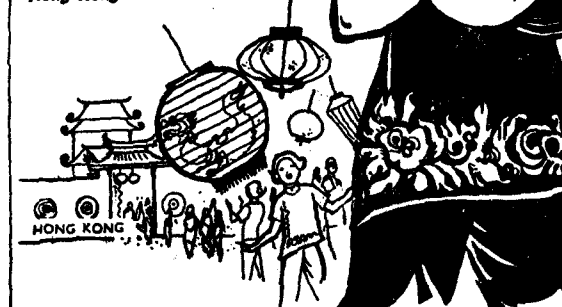
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Agents and Correspondents all over the world

Chairman: M. C. MUTHIAH

General Manager: C. P. DORAIAANNU

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CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

		Wholesale Prices (General Purposes Index)† Year Ended August 1939=100					Security Prices †† (1949-50=100)			
		Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	V. D. I.
1947-48	..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..
1948-49	..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..
1949-50	..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..
1950-51	..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..
1951-52	..	398.6	591.9	374.4	401.5	721.6	434.6	..	..	..
1952-53	..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..
1953-54	..	384.4	467.7	359.2	367.4	686.6	397.5	89.7	100.6	87.3
1954-55	..	339.8	436.2	350.3	377.4	612.4	377.4	89.8	100.7	88.4
1955-56	..	313.2	419.8	338.2	372.9	546.4	360.4	90.0	100.8	87.3
1956-57	..	388.5	501.9	402.3	384.6	559.3	414.0	90.0	100.1	82.9
January 1957	..	392.1	525.0	412.4	387.4	592.7	422.8	89.7	99.0	80.4
February	..	406.0	520.5	410.6	385.5	585.2	425.0	89.8	99.0	79.8
March	..	402.7	518.1	403.3	384.1	569.6	421.3	90.0	99.0	78.6
April	..	404.3	514.7	400.0	384.3	567.1	422.1	89.9	99.0	78.6
May	..	419.3*	536.3	406.5	387.7*	572.3	431.2	89.9	99.1	78.4
June	..	433.2*	541.4*	413.0	392.4*	578.0	439.2	89.5	99.0	77.6
July	..	429.8	544.4	413.3	392.3	537.1	443.5	89.2	98.7	76.7
August	..	440.9	550.6	411.2	392.7	643.3	441.8	89.0	98.8	75.6
September	..	424.1	525.3	409.1	394.7	644.0	435.9	89.0	98.0	74.0
October	..	412.1	534.3	406.1	394.5	645.9	432.8	89.0	97.7	73.6
9-11-1957	..	421.7	545.6	406.3	392.2	654.8	436.3	89.9	97.7	73.6
16-11-1957	..	424.5	549.2	407.4	391.4	659.4	438.4	89.1	97.7	73.5
23-11-1957	..	420.6	523.4	407.5	390.8	669.5	433.4	89.1	97.7	73.1
30-11-1957	..	417.8	520.1	406.8	389.9	669.7	431.8	89.1	97.7	72.7
7-12-1957	..	413.2	512.3	401.5	389.1	681.0	428.3	89.1	97.7	72.7

†Economic Adviser's Series.

* Average of weeks.

††Reserve Bank Series.

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

Period	Bombay			Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India
	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Kochi-lana†	Jamshedpur†	Indiat
1939 (Aug-Dec.)	108	—	—	—	—	105	104	—	108	—	—	—
1948	288	303	243	132	339	471	372	146	309	144	136	194
1949	292	307	248	132	348	478	377	151	323	144	136	194
1950	298	313	257	132	349	484	372	158	325	146	138	196
1951	314	320	261	142	370	463	391	168	325	146	143	198
1952	321	327	259	143	351	441	380	159	324	147	140	194
1953	346	363	275	140	349	453	387	151	330	141	154	194
1954	342	359	244	138	327	408	373	139	341	148	140	189
1955	322	338	218	130	321	371	364	139	331	144	135	182
1956	336	352	244	142	347	424	397	151	350	152	146	195
1957 January	339	355	252	149	354	436	411	156	372	157	149	199
February	341	357	253	151	350	438	411	158	369	157	149	199
March	340	356	254	151	348	433	415	158	367	158	149	199
April	340	356	256	148	345	427	415	162	369	161	152	199
May	347	363	257	151	352	441	418	163	369	167	155	199
June	354	370	259	152	371	446	422	168	373	169	156	199
July	360	376	263	152	371	459	422	165	373	169	156	199
August	361	377	265	155	398	468	—	165	373	169	156	199
September	359	375	262	149	394	464	—	163	372	167	154	199
October	359	375	260	149	391	459	—	160	372	169	157	199
November	367	383	265	—	—	457	—	—	375	—	—	199

†Base 1944=100.

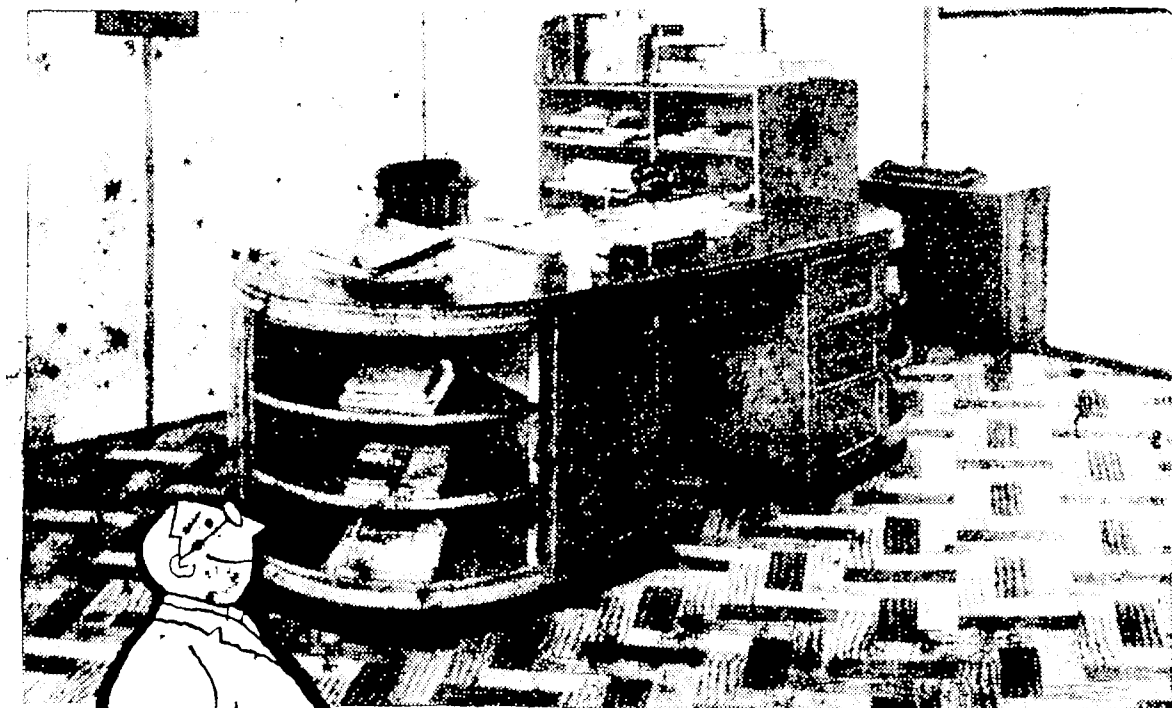
PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	3-1-1958			27-12-1957			20-12-1957			13-12-1957		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola)	108.31	107.75	108.07	108.72	107.81	108.41	108.87	108.31	108.64	109.04	107.66	108.44
Silver (per 100 fine tolas)	187.25	186.25	186.69	187.06	185.00	186.17	185.81	182.81	183.96	184.00	182.44	183.56

January 10, 1958.

THE EASTERN ECONOMIST

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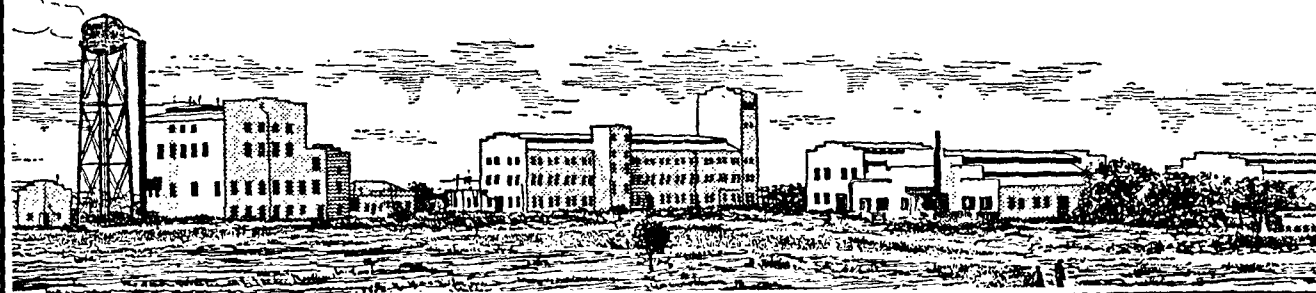
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The Eastern Economist



VOL. XXX. NO. 3.

NEW DELHI: JANUARY 17, 1958.

ONE RUPEE

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Facing the Facts

THE announcement on Thursday of the United States loan of \$225 million as the first instalment of a new pattern of American assistance for India's Plan is only the leading item in an eventful week. The announcement has, naturally, been received with relief and appreciation. There is no doubt that it changes the immediate tenor of our foreign exchange position, and ensures that in the next twelve months all of India's commitments will be met without serious difficulty. What may be more important is the clear suggestion that this is a continuing thing, and that American loans to this country are likely to be of this order in each of the next three years. Thus it comes about that one can speak of the "hard core" of the Plan as being financially underwritten although some marginal doubts may remain. Current arrangements with Germany, Japan and the United Kingdom on deferred payments read with the welcome announcement from the United States together should reassure our friends abroad and reduce the influence of many gloomy prophets within.

These arrangements should go a long way to restoring order in the Plan and promote perspective among those who have, in the last six months, raised cries of despair, including, in the case of Prof. B. R. Shenoy, the proposal that the rupee should be devalued. The cutting down of the Plan, in order to bring it into line with managerial and physical bottlenecks, is not the same thing as the pruning of the Plan for purely financial reasons. As the United States loan demonstrates, there are means outside ourselves by which we can overcome purely financial pessimism. The other bottlenecks are more within ourselves and have not shown equal progress, but there is no reason to suppose that, in the next year to two, substantial advance will not be made in resolving these difficulties. It is hoped that the generous grants of the Ford Foundation to the Delhi School of Economics and the Gokhale Institute of Poona will help to uncover the real economic obstacles to a solution of these problems. The long resolution on economic policy at the A-ICC session at Gauhati this week has set the frame-

work within which solutions are to be found. The framework is, of course, excellent and necessary, but the real solution must be found in men, or even more particularly in some new thinking in the minds of men transmitting and receiving creative impulses in the productive field, particularly agriculture.

Having struck this optimistic note on the Plan, one needs to move on to less favourable ground. The statements made by Sheikh Abdullah in Kashmir since his arrival in Srinagar cannot be reassuring to anyone who knows the obstacles to the line of thinking which he advocates. Too much has happened since 1953 for the Sheikh's proposals to be acceptable. This is not to deny him the freedom to make these statements. It is to be seen, however, whether he reflects substantial opinion in the National Conference. So far as Jammu is concerned, he has met with strong resistance, and it is unfortunate that a communal undertone is now making itself felt. It would be wise to have a recognition of the need for keeping discussion within the realm of practical politics. On the other hand, there is no reason why the attitude of other parties should not be equally flexible. There is genuine concern that the Government of Jammu and Kashmir and the Government of India have not thought their way through the circumstances which they have in part created; it is likely that Mr. Krishna Menon's stonewalling on vacation of aggression will not be a substitute for a policy.

More significant in the longer term is the debate on language now proceeding in Gauhati. Mr. K. Hanumanthaiya, formerly Mysore's Chief Minister, whose amendments are now being considered, is not, as is sometimes said in Delhi, speaking for himself. In substantial respects he is speaking for at least three States of the Indian Union, and possibly on this issue he represents Andhra more in this matter than does Mr. Sanjiva Reddy. The truth of the matter is that the formula on the national language which was a suitable compromise at a time when it was framed was designed, as most compromises are, as an instrument for overcoming a temporary stalemate in the old Constituent Assembly. The maker of the formula was Mr. Gopalaswami Ayyangar but there is little doubt that its inspiration came from Mr. Rajagopalachari, then Governor-General. It did nothing to abolish the resistance to the acceptance of Hindi in the South which is a growing political factor, the significance of which has not yet been understood in the North. One of the common assumptions made in the North is that, since the roots of Sanskritized Hindi are to be found in all Indian languages, there should not be too much difficulty in learning Hindi in a decade at least if the determination was there. To-

day, this view is untenable. For one thing, the determination does not seem to be there, and for another the assumption is misplaced, particularly in the case of Tamil which has a larger element of Dravidian words. The learning of Hindi is an extremely difficult operation and even passionate Southern Congressmen, who have preached Hindi over the last ten years, have found it impossible to acquire sufficient competence themselves. It is perfectly true that the great majority of the people whose voice is being invoked in favour of the retention of English are neutral since they are as ignorant of one language as of the other. But this does not imply that, when mobilized to oppose a change in a current situation to the disadvantage of their intellectual and political leaders, they will be neutral. There is fine combustible material waiting here if an erroneous decision is made. It is unwise at any time to make light of the pronouncement of elder statesmen, and particularly of men like Rajagopalachari who have shown, over a long period, a capacity of political judgment which this country should now acknowledge. In his dignified reply to his critics Rajaji has pointed out that the issues are not personal and need to be weighed objectively. Those who refuse to face the political consequences of denying to intellectuals of the South an equal chance in the loaves and fishes of the Central Government administration are likely to raise the ghost of secession, which is already improperly on the lips of far too many irresponsible people in the South. There can be no question of secession from the Indian Union, but equally there can be no question of foolish display of inflexibility by the Congress Party. The fear exists that the party dominated by Uttar Pradesh and Bihar proposes to foist an unwanted language on the country as the main means of communication between the Centre and the States and as the dominating instrument of entry into the All-India Services. There is probably no plot of any kind and there is justification for the Prime Minister's unhappiness that English is used so extensively in inter-State correspondence. But there is danger here that we may leap from the frying pan into the fire. Obviously on an issue like language, the Central Government's fiat will not operate in the South. It could not so operate even if the State Governments were in agreement, which they are not. Therefore the Centre must accommodate itself to the facts. For the short period, the continuance of English as the national language or as one of the national languages will need to be extended. For the longer period negotiations will need to be opened between protagonists on both sides. The chances of agreement are at present not high, but the Prime Minister's general approach which is conciliatory may yet cut the Gordian knot.

Food: The Imperatives

It is not often that pious new year resolutions are as easily forgotten as they are made. This may not be true of the Prime Minister's fervent exhortation, at the standing committee of the National Development Council, to step up food production, if only for the reason that it is a more insistent reiteration of an old year resolution. In dispelling the pessimism imparted to the agricultural climate by the Food Grains Inquiry Committee Report and in advocating more intensive methods of cultivation, Mr. Nehru appears to be broadly on sure ground. But his stand would

have to be interpreted with some qualifications. For one thing, Mr. Nehru's estimate of 100 million acres of land which is irrigated or watered by 'assured' rainfall is most probably on the high side because the area of from 11 to 12 million acres under tank irrigation is not wholly protected in all seasons (of normal and sub-normal rainfall) and timely and adequate precipitation at critical stages in the growth of crops is much more important from the point of view of yield than total rainfall over the entire season. For another, intensive cultivation under irrigated conditions

would involve a better level of soil management with organic and/or inorganic manures especially where heavy-yielding strains are introduced, in view of the generally thin soil cover of cultivated lands in the country.

In dismissing the proposition that India should import food grains from abroad year after year as impossible and in emphasising that India's potential for food production was enormously greater than was commonly reckoned, the Prime Minister was again on sure ground although some critical eyebrows might be raised over his categorical imperative that an increase of 50 to 60 per cent in production should be secured during the second Plan itself from the 100 million acres of irrigated or fairly watered land. As the remaining agricultural years in the second Plan period will be just three, Mr. Nehru's expectation is one of short-term increase in production. The only question here is whether programme administration can speedily put into practice, on the largest possible scale, cheap and simple methods of manuring and irrigation—the two most important and complementary factors making for higher productivity—complementary, in particular, where chemical fertilisers are involved.

The answer should be clearly in the affirmative provided all those who are responsible for advice and administration in the matter of agricultural programmes abstract themselves from their obsession with major irrigation and chemical fertilisers. This does not mean that these things are not required. What is meant here is that since practical difficulties in the way of distribution and utilisation of irrigation water and of provision of foreign exchange for these projects serve, not often, as convenient excuses for going slow, in the short turn, on the production front, administrative thinking and action should be freed, to a great extent, for more vigorous application to minor irrigation and organic manurial schemes which lend themselves to easier implementation in the short run. It is in the present and in the near future that a substantial increase in food production is more urgently called for to reduce or eliminate imports and save foreign exchange and to hold the internal price line if the second Plan is to achieve at least three-fourths of its physical targets.

In this context, the minor irrigation schemes of an official or non-official character, especially the ones which are designed for tapping sub-soil water, acquire an importance all their own. It is generally supposed that irrigation from wells is required only for dry lands in areas of precarious rainfall and it is usually forgotten that well-irrigation (which is the most dependable of all sources of irrigation particularly at a time of drought) has a recognised place as a stand-by supplemental source even in areas of canal or tank irrigation or of 'assured' rainfall. Some striking examples may be cited to show that any ryot with some resources knows the dependable value of well-irrigation both as a sole and as a supplemental source. Not far away from Delhi which lays down irrigation policies for the country, in the area of Jamuna-Ganga irrigation, the ryot with the requisite facility resorts to well-irrigation at that critical stage of flowering when canal water may or may not flow into his fields and thus saves his crop from a partial failure in terms of final outturn.

The State of Madras, where the principal North-East monsoon is far more freakish than the South-West monsoon in upper India and sub-soil springs are generally less copious than in the North with its great river systems, has a long

tradition of well-irrigation (covering nearly 10 per cent of that State's net sown area as against 5 per cent of the corresponding area in the rest of India) and provides still better examples. In North Arcot District there the ryot, with the requisite facility of a small, open masonry well on his wet paddy land normally irrigated by a rain-fed tank, resorts to his field well at any critical stage when tank water may not be available on account of little or inadequate storage. Again, in Tanjore District which has a protected system of canal irrigation from the Cauvery, the ryot with the requisite facility in the form of a small filter point tube-well or an open kutchra well irrigates in advance his nursery plot, rears the seedlings for his first crop of short duration (three-month) paddy and transplants them on the main fields within a few days of the arrival of canal water. The district of Coimbatore provides the best examples of large open kutchra wells (going down to depths of up to 150 feet and measuring up to 100 feet in length and 50 feet in breadth) which serve as the sole source of irrigation in an area, the larger part of which is normally deficient in rainfall.

So, it is not as if the ryot does not know the value of well-irrigation here in the North or in the South. If this source of irrigation has not developed as much as it should have, it is due to the preponderance of resourceless ryots in every part of the country. The problem is, thus, essentially one of how best and how cheaply and speedily the State can aid or sponsor construction, on a fairly large scale, of wells—small or big, masonry or kutchra, according to locational advantages and of the felt needs of the village which can well be the unit of development in this regard. In this connection the eminently practical recommendation of the Planning Commission's Study Team which recently enquired into the scarcity conditions in Bihar, eastern Uttar Pradesh, Orissa, and Madhya Pradesh, has come not a day too soon. It is that active measures should be taken to use underground water through open wells, wells with borings and small tubewells in these States. At the same time a mass approach to the problem of lifting water through simple inexpensive contrivances like leather buckets drawn by bullocks and bullock-operated pumps which can directly pump from small tubewells with equipment of a type which can be made by the village artisans should be taken up. In West Bengal (which was not covered by the Team) and in the States covered by it, the practical possibilities of big kutchra wells which can be dug and fitted with pumps at far less cost than in the case of big tubewells, would also need to be energetically exploited as part of the short-term programme of minor irrigation.

As for organic manuring through green manures (the value of which, from the point of view of conserving soil moisture and raising yields substantially and at very little cost, is not unknown to the ryot in this country), the Study Team's recommendation is an even more practical proposition and merits immediate follow-up. This is possible of extension within two years if an earnest effort is made to plant perennial shrubs and grow green manure (especially in the off-season as a catch crop using the lingering moisture in the fields) by raising seeds on the borders of fields whereon the usual crops are growing. By any standard, this is the cheapest and simplest form of manuring and it is, therefore, no mean progress that the State Governments concerned have just taken on hand what may have to be an extensive and fruitful programme in the short run.

Problems of Management

THE establishment of a National Productivity Council last week has come not a day too soon. The Council owes its inspiration mainly to the Indian Productivity Delegation which visited Japan last year. Its importance lies in two directions. It underlines the recent shift in Government's policy towards Labour which is a recognition of a stark reality, namely, that though redistribution of wealth and income should form an essential ingredient of national economic policy, what is of greater relevance today is production and more production. In other words the size of the national cake should be increased before anything worthwhile can be distributed. Secondly, since it requires sustained ability to translate plans into productivity, indirectly the Council will bring into proper focus the vital role of Management which unfortunately has not found its proper place in the Plan.

That Government is aware of this serious lacuna is evident from the address of Mr. Morarji Desai to the annual session of the Delhi Management Association last Saturday, who rightly pointed out that the greatest importance was now being attached to management and its problems since it was on the skill of management that the future depended. This is an admission that the manager will now be seen as both the fount of productivity and of the Plan's success. The task of Management, which is fast becoming a profession, does not lie merely in the provision of technical expertise which must properly belong to the profession of technocrats. The manager's authority, on the other hand, flows from certain wider responsibilities not the least important of which is the total good of the enterprise. Further under a planned economy, management has to see to it that the economy of its enterprise is integrated with the national economy, so that while profit is taken into account, at the same time attention is riveted to the obtainment of at least the minimum targets of the Plan. Even in private enterprise it is no longer true that profit constitutes the sole criterion of good management while in the case of public enterprises, their *raison d'être* rests mainly on grounds of efficiency, co-ordination and improved industrial relations. All these go to show the need for having efficient managers in the private as well as the public sectors whose responsibilities now are considerably greater than ever before.

Mr. Charat Ram's presidential address on the occasion was a comprehensive and objective account of the manifold problems confronting the managerial personnel today, the challenge thrown by the Plan and the need for a co-ordinated plan to meet the growing needs in this respect. Since competence in management can be attained only through training, there is no need to exaggerate the importance of starting courses, at various levels, of Management Studies apart from higher Institutes of Management on the lines of Harvard and Stanford. The proposed Administrative Staff College at Hyderabad is also bound to play a useful role in imparting management techniques to young administrators from all walks of life. However, the task of finding suitable men for the several management posts, and affording the necessary training facilities for them is bound to be colossal.

Of greater importance than training is the efficient performance of the Management which has to stand the test of the superior standards of a buyers' market. This cannot be secured by mere academic discipline however useful and necessary it may be. Apart from the fact whether any academic training can throw up innovators of the stamp of a Rockefeller or a Ford, the immediate need of the country would seem to require men capable of organisation and administration for co-ordination of activities and bringing about teamwork. What Peter F. Drucker says in his "The Practice of Management", is of greater relevance than ever today. "The manager" he says, "is the dynamic, life-giving element in every business. Without his leadership the 'resources of production' remain resources and never become production... For the quality and performance of its managers is the only effective advantage an enterprise in a competitive economy can have".

It is in this context that Mr. Morarji Desai's reference to labour and discipline problems in industry and his plea for a 'human approach' gains force. This is a field where one ounce of practice is better than several tons of theory, and practical training received at the junior and intermediate levels of administration from the school of experience will certainly be of greater avail than anything else. The problem of discipline however offers no easy solution. When the manager accepts authority he takes complete responsibility for granted and as a consequence it follows that the men in the enterprise must be prepared to accept enforcement of his commands. How then can one explain strikes and other forms of industrial unrest? There is no simple explanation. The fact is the Management is responsible to its operatives as well as to its shareholders and in a sense to the wider community and hence it has to reconcile conflicting interests.

While undoubtedly the responsibility of Management is great in industrial relations, that of Labour is no less important. It must be the task of enlightened Labour leadership to persuade Labour to the facts of the situation today and show that it is in their interest that the national economic system should be kept going in a prosperous condition so that with increased production the cake to be distributed for consumption may be enlarged. At the same time one should not forget the truth that productivity is not an end in itself and it is just a means of getting the highest possible returns on the investment of various factors of production. The benefits obviously must be shared by the entire community and not a section alone. This aspect deserves special mention because very often there is a misapprehension that Labour is the only factor responsible for productive efficiency and it is forgotten that there are other factors equally important like Capital, Equipment and Management. If the entire gains of productivity were to be distributed to Labour alone, capital formation, so essential for economic development, is bound to be jeopardised. On the other hand, much the greater portion of productivity increases should benefit Labour if the co-operation of Labour is to be secured and firmly held. There should be no hurdle to a comprehensive understanding as to what is both equitable and wise.

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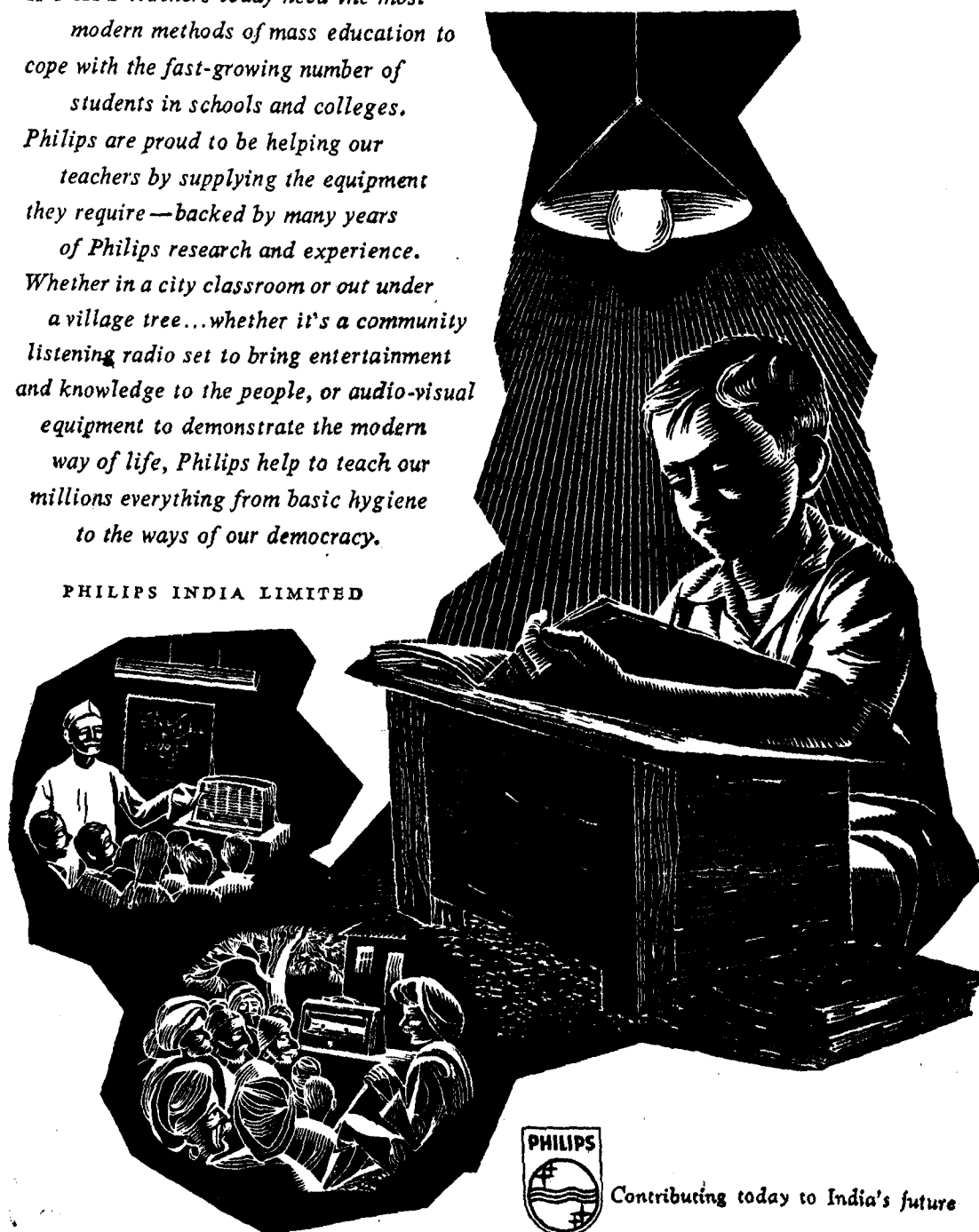
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THE WEEK'S NOTES

THE CONFABULATIONS AT CAIRO

THE AFRO-ASIAN Solidarity Conference recently held at Cairo, "representing 42 nations of the two continents", naturally reminds one of the Afro-Asian Conference of 29 nations held at Bandung in April, 1955. There is, however, a vital difference between the two. Their respective composition and aims and objectives have been different; while at Bandung the delegates of the participating nations represented their respective Governments, the Cairo Conference was not only unofficial, but its representation was also limited to Communists and a handful of Leftists and other gullible non-Communist organizations. In aims and objectives too the two Conferences were fundamentally different, if not actually opposed to each other. The identity of aims was more apparent than real. Goodwill and co-operation among the nations of Asia and Africa was of course said to be the objective of the Cairo meet also. It also considered what it called the ways and means to promote that aim. But actually it ended up with a declaration more racial and anti-West in character than informed by amity and goodwill among nations. In fact, the main objective of the Cairo Conference was to exploit the anti-Imperialist and pro-Peace sentiments of the Afro-Asian peoples, as a prelude to Soviet penetration of the two Continents and a diversion from Russian colonialism in Eastern Europe. It was no wonder that no one pointed out to Russia's emergence as the greatest and growing imperialist power. After all, since World War II, while the British and the French empires have been undergoing self-liquidation, to the benefit of over 900 million people, Russia has extended its frontiers to Eastern Europe, and is now busy spreading its tentacles in the Middle East and the South-East Asia. No delegate to this Conference also seemed to remember it himself or remind his fellow delegates of Russia's naked aggression in Hungary. And strangely enough, the Soviet Union which is not an Afro-Asian nation was one of the leading participants in the Conference!

It is true, the Cairo Conference has laid stress on the liquidation of imperialism and has strongly pleaded for generous economic and technical assistance to the Afro-Asian countries to help them banish poverty and hunger. The real goal of this policy was, however, spelled out on March 15, 1956, in the issue of 'Kommunist', official organ of the Central Committee of the Communist Party of the Soviet Union. In that article, one Mr. A. Sobolev called for the infiltration by Communists of "liberation", "democratic" and "anti-Imperialist" movements with the object of bringing them eventually under their own influence and control. This, he asserted, would help them "establish the people in power" without armed struggles. The shift in emphasis in Mr. Sobolev's statement—from Communist domination of recognized "front" organizations, such as the World Peace Council, the International Association of Democratic Lawyers, and the Asian-African Students Conference—to infiltration of popular movements marks a change in the strategy of World Communism. It is, therefore, incumbent upon the Free World to adopt a new strategy to meet the new Soviet move. True, any informed non-Communist public opinion will not be deceived by the anti-Imperialist and pro-Peace assertions of the Communists. But this would not be enough to frustrate the new move. What is required, and is in fact needed, is that the Western Powers should give up their old notions and such possessions as still continue to disfigure their names. After all, it is the sad happenings like the unwise Anglo-French aggression in Egypt, and the unreasonable attitude of the Netherlands and Portugal on West Irian and Goa disputes, respectively, that provide opportunities to the Communists to parade as champions of national liberation.

DR. SUKARNO'S VISIT ABROAD

CONTRARY TO pessimistic or wishful reports earlier, Dr. Sukarno's recent visit to India and other countries in this region shows that the political situation in Indonesia is far from unsatisfactory or unsettled. Normally, the Indonesian President would not undertake such an extensive visit abroad without being confident of the firm grip of his Government on the situation at home. Moreover, despite regional rivalries, division among its top-ranking leaders and the territorial ambition of the army leaders, President Sukarno's popularity and authority has never been weakened. Under his guidance the Indonesian Republic has during the last eight years survived internal revolts, civil wars and a foreign invasion. Indonesia may not have worked its parliamentary institutions in the sense India and other countries have but the fact remains indubitable that most of its important leaders are committed to the democratic system of government. It would, therefore, also be wrong to attribute the Indonesian Government's recent action against the Dutch economic interests as a move to solve internal difficulties. The action was in response to the intensity of nationalist feelings in that country over the West Irian dispute.

The Indonesian action has, indeed, had adverse effects on the country's economy; prices have been skyrocketing and popular distress has increased. But that aspect of the situation should best be left to the care and anxiety of the Indonesians themselves. Dr. Mohammed Hatta, who stands next to President Sukarno in popularity and prestige in the country, has openly and unequivocally criticized the Indonesian Government's West Irian campaign. He has called it "unwise" and as calculated to frighten the foreign investors without whom the problem of industrialization cannot be solved. Dr. Hatta probably has the Burmese experience in mind. When Burma became independent, there was a similar cry for expropriation of foreign interests but it has now given place to a more sober realization of the value of foreign investment in backward countries. The Burmese Government is at present considering a legislative proposal which will give special inducements to foreign investors such as exemption from income-tax and the right to send profits abroad.

What is indeed alarming about the situation in Indonesia is the increasing strength and influence of the Communists. The anti-Dutch measures have helped them considerably. In Dr. Sjahrer's opinion they "have already derived the most benefit from the West Irian situation" and were "making a bid to capture power". But Communism in colonial and underdeveloped independent countries always thrives on anti-imperialist slogans. As President Sukarno himself once remarked: "Dutch colonialism and its inherent militarism are nothing short of promoters of Communism in Indonesia". Such an ominous development is all the more regrettable because the Dutch have neither legal nor moral claim over the island. It is, therefore, in the interest of Indonesia, the Netherlands and the West that the unfortunate situation which has recently developed over the West Irian dispute should immediately be ended. Considerations of prestige should not be allowed to stand in the way of negotiations to resolve the dispute. Much more than the future of the island is involved in it.

FOREIGN AID AND PAKISTAN'S PLAN

AT A time when considerable attention has been riveted on the exact scope of foreign aid for the implementation of the second Plan in this country, it will be of interest to have a look at the position of our close neighbour-Pakistan—to find out as to where

she stands in this respect in implementing her own plan. A recent article on 'Financial resources and the first Five-Year Plan of Pakistan' appearing in the 'Economia Internazionale' Geneva, has thus a topicality. Pakistan's Plan envisages a total investment of Rs. 1,160 crores out of which external finance accounts for Rs. 420 crores or 36 per cent. If the public sector alone is taken, the dependence on external finance is even higher which is as much as 47.5 per cent. Here a comparison with India would be quite interesting and the figures are 10.8 per cent under the first Plan and 16.6 per cent under the second Plan. This brings out clearly the crucial role of external loans and grants 'vis-a-vis' domestic internal resources in the total investment programme of Pakistan. The writer argues that such a large and significant dependence on external finance puts the Plan on a precarious balance and he has, therefore, apprehensions about its fulfilment. His thesis runs as follows: The steadiness of the rate at which the Plan proceeds as well as its total magnitude will be affected by any shortfall in the availability of external finance which is always an uncertain element in view of the many imponderables. This is of particular significance to Pakistan in view of the range of fluctuations of her exchange receipts and the limited scope for squeezing further, in the case of a fall in exchange receipts, the non-developmental imports. This makes it imperative that a larger working balance of foreign reserves has to be built to meet the exigencies of fluctuating receipts to which the Plan has not bestowed enough attention. But the difficulty in any attempt to build up foreign exchange reserves would be that it would make a draft on the foreign exchange resources available for the financing of the development programme. It would, therefore, appear that there has been over-estimation in the Plan over the development outlay.

On one other point the writer has made a suggestion which deserves careful attention. Pointing out the time-lag between the commitment of aid and the actual accrual of aid, which has an important bearing in the phasing of the development programme and its pace of progress, he suggests that Pakistan or for that matter any aid-receiving country under similar circumstances should come to a general understanding with the aid-giving countries or agencies with regard to the order of figures involved in the future and the phasing of the assistance and loans over the Plan period. Otherwise, without a concrete idea of when and how much of external finance would be available, the pace of development will be hampered by uncertainty. Only if this were possible, how much of a relief it would be for our planners as well as the executors of the Plan!

ARDENT ADVOCACY FOR ENGLISH

A CONSIDERABLE degree of re-thinking about the wisdom or otherwise of retaining English as official language has been going on since the implementation of the States Reorganisation Commission's Report. The question was re-opened though it was generally considered to have been finally decided by the Constituent Assembly in favour of Hindi. The main reason which weighed with the Fathers of the Indian Constitution has been the desire to have "one of our own languages" as the national language.

Since the troubles which followed the publication and implementation of the States Reorganisation Commission's Report, eminent men like Sir Mirza Ismail, Sir C. P. Ramaswami Iyer, Master Tara Singh, Mr. Frank Anthony, Dr. S. K. Chatterji and Mr. Kodanda Rao have pleaded for retaining English. The strongest plea for English, and the severest criticism of Hindi, has, however, come from India's elder statesman, Mr. C. Rajagopalachari. According to him, the replacement of English by Hindi "is not only inexpedient, but primarily unjust to a great majority of the people". It would be "inexpedient", he said, because the protagon-

nists of Hindi themselves admitted that the language had yet to develop adequately. That was also the reason why the Government had appointed a number of special committees to evolve a suitable vocabulary for purposes of administration; the consequences of the change-over would, Mr. Rajagopalachari asserted, be disastrous to the efficiency of the administration. It would be tantamount to discarding the bird in hand, "not even in the hope of two in the bush, but in the hope of manufacturing a new bird".

In view of the ever-growing demand for retention of English it would be unwise, even dangerous, to dismiss it as "utter nonsense". The imposition of Hindi, for that is verily what it would amount to, would certainly not advance the cause of unity in India. What is needed is a fresh appraisal of the entire question. Perhaps the discussions at the Congress session at Gauhati will yield a new and more fruitful approach.

PAY COMMISSION QUESTIONNAIRE

IF ANY one had any doubts about the complex and formidable nature of the task confronting the Pay Commission, the 78-point Questionnaire issued this week should dispel them. Even for a country that is now quite familiar with Commissions and Committees starting with elaborate questionnaires and ending with impressive reports, the Pay Commission Questionnaire should strike some awe and not a little respect. It covers a wide range and there is no doubt that the mere assembling of the replies and their compilation under several heads will take a sizeable time and when one delves into them to find light to illuminate some dark corners it will again be a long time before patience is rewarded. Therefore, it will be a miracle if the Commission can come to the end of its labours before the end of the year even assuming that it goes about its work in the most businesslike manner.

Even a first reading of the summary of the questionnaire, however, raises some questions. For example, the Commission points out that the Central Pay Commission appointed in 1946 thought that its recommendations had to be made within the framework of the existing socio-economic structure and that any attempt to remedy social inequalities should be made directly by the State by measures such as taxation that would embrace all classes of citizens. It then goes on to ask if an attempt should now be made to mould the structure of emoluments and conditions of service of Central Government employees so as to reduce economic inequalities. Earlier, seeking views on the general principles governing the determination of the structure of emoluments and conditions of service of Central Government employees, it asks if the principle whether the State as an employer should be distinguished from private employers would be suitable to Indian conditions. Now there seems to be a contradiction between these two. If the idea is reduction of economic inequalities, obviously it will not be of much use if it is confined to Government servants only. If it is possible, the question whether the State as an employer should be distinguished from private employers seems to be redundant. All these only point to the complications that would arise if it is thought that reduction of economic inequalities is possible through any modification of the structure of emoluments of a section of the people. In another place the Commission asks what relation, if any, should salaries and wages have with the national income and in particular whether the minimum salaries and wages should have any relation with the 'per capita' income. The object of the question does not seem to be quite clear. The 'per capita' income at current prices for 1955-56 has been computed at Rs. 252 per year. It is not known what relation this can bear on any consistent principle to the wage structure of Government employees.

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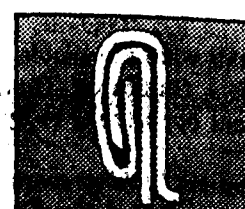


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A Window on the World

THE KEY: IN GERMANY OR IN INDIA?

By
ODYSSEUS

A READER REPROACHES ME with saying in my article "India, Socialism, Credit and Inflation: German Views", published here on November 15, that German business and government officials are supposed to be "inimical" to assisting India during the second Five-Year Plan. He states that he was carrying on interviews in Germany from the spring of 1956 to August 1957 and that his conclusions are "diametrically opposed" to mine.

May I recall that:

(1) My opening paragraph stated that I had not been able to discuss these problems with those government officials whom I had wished to see because they all chanced to be at a conference out of Germany at the time of my visit. My article could not therefore reflect official views.

(2) I made it clear that my article was based on talks with German leaders in industry and banking. It therefore did claim to reflect views in non-official circles.

From these circles, I gathered:

(3) The impression that the German government would (repeat "would") help India. Nowhere did I use the word "inimical".

(4) Germany's leaders feel no need to argue the strengths of free enterprise and the objections to state planning.

(5) German industrialists would not invest in India unless the German government guaranteed them against expropriation and ensured that profits were freely exportable from India.

(6) There was concern in Germany at the prospect of inflation in India.

There is nothing in these six points which prevents me from whole-heartedly endorsing my reader's observation that there is in Germany "a great deal of sympathy with India's problems" and a desire to help — "as far as German capital and government can".

My reader does not say what meaning he attaches to his final qualification. In my article, however, I did suggest a meaning when I reported that the amount of capital available for export was small, since Germany is short of capital at home and current rates of earnings for domestic capital may be as high as 15 per cent.

FOREIGN AID PROSPECTS

I would not bring all this up again today were it not that the problem of attracting foreign capital to India remains urgent.

Over a period of nine years now, I have from time to time submitted the view that the key to obtaining more foreign investment lies not outside but inside India. What is required is a new attitude towards the import of foreign business men and the export of profits and substantial modifications in income tax policy. For a long time these views have been dismissed as oddly eccentric by those kindly disposed towards me and angrily attacked as "anti-Indian" by others less indulgent. I have, however, recently been encouraged by finding that more and more people have

been converted to my eccentric views by the march of events.

Take, for example, a striking editorial published in issue No. 1,943 of the authoritative "Share Market Report" published by Messrs. Place, Siddons, and Gough, a leading Calcutta firm which despite its name, so reminiscent of the gaudiest of old school ties, is Indian owned. This editorial splodges the I's and thickly crosses the T's of the argument submitted here, for example, on October 18 ("A New Approach to the West") and again on November 15.

Messrs. Place, Siddons, and Gough begin by observing that since Mr. Krishnamachari's return at the end of October from his tour of Europe and America, the stock market has been trying to convince itself that some substantial concessions towards private investors are on the way. This explains why the almost continuous fall in share prices since the beginning of 1957 has been halted and some modest improvement in sentiment has occurred. The revival does not yet amount to much. Investors are far from confident about the extent to which the government's policy towards private investment is likely to change for the better. But without some expectations, the behaviour of share prices in recent months is inexplicable.

If the facts of India's situation and simple logic were the only determinants of government policy, such expectations would appear to be solidly based. It is evident that the Government of India is anxious to secure the help of foreign capital. It is also obvious that foreign government aid is difficult to obtain. So far as the USA is concerned, the mounting defence expenditure added to American lack of sympathy for India's foreign policy, together with the general business recession in the USA, make it improbable that Congress will consider any large loan to India. The most that Messrs. Place, Siddons, and Gough feel that we can expect is a share of the funds already sanctioned by Congress, which the President is free to allot according to his discretion, besides such sums as may be available from the World Bank, the Export-Import Bank, and other organisations. The most optimistic estimates of the amounts likely to be obtained from all these sources do not exceed \$250 to \$300 millions, which is short of what is needed even for the hard core of the Plan.

ESTIMATE OF PROFITS AND RISKS

Messrs. Place, Siddons, and Gough point out that foreign private investment suffers from no such restrictions. A private investor does not have to seek the approval of Congress. His decision to invest in America or in foreign country A or foreign country B is governed by his estimate of profits and risks. I can endorse Messrs. Place, Siddons, and Gough's further assertion that Mr. Krishnamachari accomplished a first class public relations job in Germany and elsewhere abroad. But Messrs. Place, Siddons, and Gough could not be more right in their forthright declaration that as long as the Indian stock market continues to proclaim to the world the plight of those who are so ill-advised as to put their savings into equity investments in Indian industries, it is futile to try to draw, for the benefit of foreign investors, a glowing picture of investment prospects in India. The present condition of the

share market is the strongest deterrent to foreign investment. It is a warning to foreigners to keep out lest they too find, to their cost, that the climate for investment in India is deadly.

There is little that the Government of India can do to influence the decisions of the legislature of another country about a loan or grant to India. But it is within the power of the Government to create a more favourable investment climate within the country. It is Government's economic policy that is responsible for transforming what is inherently an alluring investment outlook into its exact opposite. What the Government has done, it can undo. The market builds its hopes on the chance that what all the arguments of the spokesmen of the private sector failed to accomplish will be achieved by the exigencies of the foreign exchange crisis and the urgency of the need to attract foreign capital.

Messrs. Place, Siddons and Gough's tone of gloomy foreboding may perhaps be attributed to the fact that when they wrote they may not have read the report of the National Council of Applied Economic Research on the impact of Indian taxation on private investment (discussed at length in an editorial in these pages on December 6). If the Government of India desire to see the "great deal of sympathy with India's problems" that exists, not only in Germany but in the UK and in the USA, expressed in such concrete terms that India's place in the queue for foreign capital is raised above that in which she received Rs. 40 crores out of the Rs. 4,490 invested by American private enterprise abroad since World War II, then I suggest that Government should not merely act on the recommendations made by the National Council, but should ensure that its decision should receive wide publicity abroad.

To that end, Government should prepare a press summary to be sent with sufficient copies of the report to every Indian foreign diplomatic post with instructions

that it be distributed to all financial journalists, chambers of commerce, merchant banks and interested bodies such as the India, Pakistan and Burma Association in London. Not content with routine distribution, the External Affairs Ministry might instruct our High Commissioners and Ambassadors to create special occasions to address gatherings of chambers of commerce and other appropriate bodies explaining the Government's reasons for adopting the National Council's recommendations.

Or shall we be forced into agreement with the further observations in Messrs. Place, Siddons and Gough's editorial: "Investors in India have learned to their cost that even irrefutable logic does not always carry conviction with the Government of India. There is therefore no certainty that the urgency of the need to improve the investment outlook in India will be translated into action in the shape of tax concessions to investors in the near future." I cannot bring myself to believe that Mr. T. T. Krishnamachari's conscientious withers will remain unwrung by these reasonable warnings from the Indian capital market.

P.S. With reference to my assertion that Germany's leaders feel no need to argue the objections to state-planning, this, as I said, came to me from non-official industrial circles. Since completing this article I have come across the following observation which reflects the attitude of German official circles: ".... This way of thinking is reflected in so-called X-Year Plans and above all in the excessive growth of an economic bureaucracy to replace that functional order which has been lost by official planning and direction, that is, by an artificially manipulated order. In Germany, however, this sort of nonsense has been largely done away with." This is extracted from an article in the 'Financial Times' of London, dated May 27, 1957, written by a Dr. Ludwig Erhard, who is, I understand, Federal Minister for Economic Affairs in Western Germany.

THE END OF THE FRENCH BOOM

(From Our Special West European Correspondent)

PARIS, December 28.

AFTER five years of steady expansion the French economy has reached a plateau where, on the most optimistic expectations, it can do no more than stagnate during 1958. For some years past France has been accustomed to seeing industrial production increase by 10 per cent a year and total output by 6 per cent, but in 1958, even on the assumption that she receives about \$450 millions in foreign aid, production is not expected to rise by more than 1 per cent or 2 per cent. Since five years of striking prosperity have given all classes of society bad habits—everyone expecting that his income must by law of nature increase by 10 per cent a year—the division of this stagnant national product will surely give rise to acute political difficulty. Political squabbles about the division of the national product are always especially unseemly in France because the political parties represented in parliament are the organs of very narrow interest groups: the Socialists represent almost nobody but civil servants, the Poujadists only shopkeepers, the Radicals only professional men, the Peasants only farmers, the Communists mostly industrial workers, and so on. So more hair flies when it comes to cutting up the cake in public, than say in Britain or the USA where the political parties include representation from all such groups. Still there is no need to accept the sensational forecasts of certain observers in London who are promising us revolutions, popular fronts and coups d'etat for France in 1958.

The course of an economic boom is usually very difficult to foresee but there can be no doubt about this one. It has come to a sharp stop; and once we know for certain the amount of foreign aid to be received by France next year, we can foretell quite exactly the level of next year's output. The reasons for this sharpness and this certitude are that the boom was financed in foreign currencies and once they ran out, it had to stop; whether it now turns into stagnation or recession depends solely on what foreign currency Paris can raise in loans from the World Bank, the Germans and the Americans. In other words, in a country that is self-sufficient neither in food nor fuel and where the national output is consumed almost entirely at home (i.e. no one worries about exports), the limits to expansion are set quite rigidly by the foreign exchange kitty. Having lost \$2,000 millions in the last 22 months, this latter is now empty.

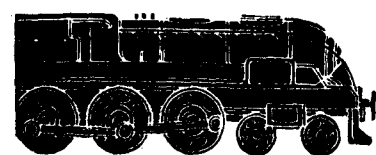
This might make the late lamented boom sound somehow artificial—as though, because it was badly financed, it could not have been as good as it seemed. But not at all. It was a splendid boom and leaves France much richer (say, one-third richer) than she was in 1952. The second Four-Year Plan (1953-56) saw a 30 per cent rise in national output against 25 per cent planned. The rate of progress was especially rapid and regular for industry, where there was a 45 per cent increase in four years, which represents a substantial measure of industrialisation for an economy whose main need was to modernise. Agricultural production progressed as planned, by 20 per cent, despite the disastrous winter of 1956. Some particular figures are worth reporting, as indicating a rate of expansion that planners can accept as feasible: coal production in four years rose from 57 to 60 million tons, electricity 40,000 to 57,000 million kwh., steel from 10.9 to 14 million tons, housing units completed from 160,000 to 250,000 a year; the chemical industry's output rose 80 per cent,

cement 40 per cent; the fleet of tractors was doubled and the consumption of fertilisers rose a third. On any showing this was a very creditable performance, and above all it marked a break with a long French tradition of caution, conservatism and lack of enterprise—a complex the French themselves call "Malthusianism". And, despite what some Leftist critics say, the increased product thus made available was fairly sensibly disposed of: a substantial part was ploughed back into investment (including investments in Africa that are immense compared with what other advanced nations are doing in the sphere), and the part allotted to consumption was distributed with as much social justice as the French temper allows.

If it was in these respects so well managed, why must the boom come to so sad an end? Unfortunately, a large part of the materials required for the expansion had to be imported, which is normal enough outside the USA, but the French were exporting very little to pay for these much increased imports. The matter was complicated by inflation only toward the end, during the year 1957. Up till then the French boom had gone on at stable prices, and indeed it was the stabilisation of prices by M. Pinay in 1952 that made the expansion possible. By 1957 the Mollet policy of fighting Right-wing wars with Left-wing social welfare schemes was putting a strain on the economy and prices threatened to rise; to control this inflation M. Ramadier imported foodstuffs on a large scale and then of course the foreign exchange reserve began to evaporate very quickly.

It will be impossible to restore the foreign trade balance in 1958. Even if domestic consumption and investment were moderated, balance could not be found without a 25 per cent cut in imports and this would provoke a grave recession with much unemployment and many closures, which would dissipate part of the gains of the last five years as well as having unforeseeable political consequences. Although French exports increased this year by 10 per cent, further increase next year would be less easy because there is no surplus of meat and wine (the main agricultural exports in good years) and because foreign markets for manufactured goods are becoming tighter. The outlook for exports of motor-cars and chemical products is brighter. It is hoped that balance can be found with a small increase in exports and a 13 per cent cut in imports, the latter cut falling more heavily on finished goods than on raw materials and fuel. This would leave a trading deficit of \$100 to \$200 million for the year, to which has to be added a deficit on invisibles of \$175-\$200 million, making a total deficit in the balance of payments of \$300 to \$400 million. The European Payments Union and the World Bank are expected to provide loans of about \$400-\$450 million. It is on these assumptions, which in fact are nearer certainties, that it is calculated that French output can next year be just maintained at the 1957 level, perhaps increased by one or two per cent.

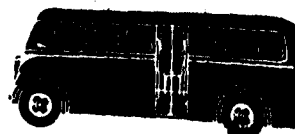
The import cuts will have less serious consequences than might be expected for three reasons. First there are important stocks of raw materials in the country—in fact it was their constitution, either for speculation or as a precaution, that exacerbated the import surplus in 1957. These stocks are important in the case of oil products, copper, textile materials and wood; they can now be run down to keep industry at work. Secondly, supplies of important materials from within the franc



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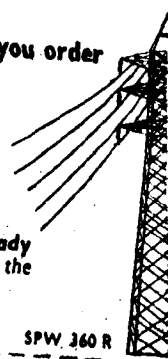
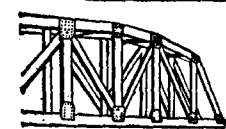


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zone are just beginning to improve: petrol from the Sahara and West Africa, aluminium from Equatorial Africa. Thirdly, the constant and considerable investments in domestic industry in recent years (which have been an important factor in inflation and in the import surplus) are beginning to pay off, so that imports in many lines can be fairly quickly replaced by local manufacture; this applies in particular to the coal, steel, electrical and engineering industries. There is another bright spot which concerns export earnings but which it is not polite to mention: France is banking on earning dollars by manufacturing parts for the American medium-range missiles which are to be stocked on the Continent of Europe.

Mr. Per Jacobsson, the Swedish president of the World Bank, who has just been here to examine the French claim for a loan, gave the following sanguine picture this week: "I am not pessimistic. I think people's ideas have evolved a lot. For too long France was impressed by the lessons of the great 1929 depression and by the doctrines of Lord Keynes. She has not sufficiently digested the lessons of what happened during the war... There is no need for any artificial stimulant to keep business booming. Atomic energy, electronics, the increase in the population (which demands more housing and thus assures the prosperity of the building industry) provide sufficient stimulant for the economy... In my opinion, France will recover during 1958. The first dispositions taken

by the Government are already bearing fruit. (Mr. Jacobsson meant the 800,000 million franc cut in the budget.) With a certain delay, France is now taking the measures already taken in all other countries (to stifle inflation). That is why the World Bank will give her a loan that will enable her to get by a difficult patch and guarantee her supplies of raw materials until her situation is definitely restored... You believe in expansion, and that is very well, but one cannot do everything at once."

This last phrase is the key to French difficulties: the urge to do everything at once—construct five atom bombs by 1960, invest heavily in home industry and in Africa, make up the long backlog in housing, fight the Algerian war, reform the educational system and extend the welfare services, meanwhile of course maintaining the traditional high living of the French bourgeoisie. The stagnation of production forced on the country by import cuts next year will make necessary some rationalisation of this list, and that will be a good thing. Given that supplies of raw materials from within the franc zone, particularly of African petrol, are flowing more freely within 18 months, and that further attention is concentrated on exports, there is no reason why the French expansion should not be resumed from 1959 at a quicker pace, for there is nothing in the present crisis to show that there is anything wrong with the French economy except that it has relied too heavily on imports.

WORLDGRAM

AGRICULTURE

Tubewell Irrigated Area: A significant development during the drought period in Bihar last year was speedy extension of the area under tubewell irrigation. In the last 'kharif' season, tubewells in the State supplied water for irrigation of 84,000 acres, as compared to 26,000 acres in the corresponding period in 1956. The area so irrigated in South Bihar was 75 per cent and in North Bihar 46 per cent of the 'kharif' crops. The number of tubewells commissioned for the purpose was 922, against 776 at the end of March 1956. The prevalence of drought conditions in some parts of Bihar was undoubtedly one of the reasons for increased area under tubewell irrigation, but the cultivator has also now realised the importance of tubewells as a dependable and timely source of irrigation.

Rajasthan Jagirs Resumption Amending Bill: Jagir lands which were granted in Rajasthan for the maintenance of places of religious worship or for the performance of religious services are to be resumed under the Rajasthan Land Reforms and Resumption of Jagirs (Sixth Amendment) Bill, 1957, which has been assented to by the President. The enactment, however, ensures the net income which was being received by the temples from these jagirs.

Mixed Cropping for Conservation and Better Yields: The Government of India has decided to intensify research on mixed cropping—a system of cultivating two or more crops simultaneously—and collate up-to-date information about it. The Indian Council of Agricultural Research has undertaken a review of mixed cropping practices—a distinctive feature of Indian agriculture—and will publish the results shortly. The correct methods such as growing mixtures of cereals with pulses or oilseeds and suitability of mixed crops, which help in retaining moisture, enriching soil fertility, and improving yields, will also be indicated. Although all States grow some crops as mixtures, mixed cropping is mainly practised in rain-fed areas. In irrigated areas, this practice is somewhat limited. One of the reasons which induce the farmer to adopt mixed cropping is insurance against total crop failure owing to vagaries of the weather. For instance, by growing a certain crop, like 'jowar' or 'ragi', mixed with a legume or oilseed, the farmer ensures that, if the rains fail and the main crop does not yield much, the legume, resistant to drought conditions, will give a suitable return. In this way, a number of cereal mixtures with pulses or oilseeds have found a place in farming practices in different regions, depending on the importance and suitability of the crops.

INDUSTRY

UK Steel Production in 1957: United Kingdom steel production totalled 21,700,000 tons in 1957. This is the highest level ever attained. The balance of exports over imports of steel products was doubled during the year. The increase in production was five per cent above the 1956 output, the Iron and Steel Board announces in London. Though the 21,700,000-ton figure is a record, it is still three per cent lower than the estimate of possible production made at the beginning of the year. The improvement in the balance of external trade in steel products is described as "remarkable". The excess of exports over imports increased from 1,500,000 tons in 1956 to 3,000,000 tons last year. This was partly due to an increase of exports, and partly to reduced imports. The main reduction in imports took place during the first half of the year, states the Board. Steel capacity available during 1958

is estimated to be sufficient to provide an output of 23,500,000 ingot tons (for a 53-week year), but the Board points out that the actual production of most types of steel will depend on the level of demand.

Heavy Machine Plant in India: An understanding has been reached between the Governments of India and Czechoslovakia regarding the terms of payment for the foundry and forge project. The plant is intended to supply heavy castings and forgings which will be required by the heavy machine building plant, for the establishment of which an agreement was recently entered into with Russia. The project would cost Rs. 300 million (£22.5 million), of which Rs. 165 million would be in foreign exchange to be financed by the Czech Government, and payable in instalments after April 1, 1961. During the period ending March 31, 1961, the Indian Government will pay the Czech Government a sum not exceeding Rs. 10 million to enable the latter to buy Indian goods for export to Czechoslovakia. The project would be completed in two stages, the first stage going into production in 1962 would have an installed capacity of 22,000 tons per annum and the final stage, with a dateline in 1964, a capacity of 45,000 tons.

Nangal Fertilizer Project: Messrs. English Electric Company, a British firm, has won a Rs. 2-crore contract for the supply of electrical equipment for the Nangal fertilizer and heavy water project. The firm has agreed to deferred payment terms, under which an immediate payment of 10 per cent of the cost and another payment of 10 per cent will be made in rupees. The balance will be paid in sterling over a period of two to three years after the plant goes into production some time in April, 1960. The electrical equipment will include transformers and rectifiers for a sub-station of the project. Tenders are at present being examined for a heavy water plant. Tenders have also been invited for civil works in the factory. A decision on tenders received for the construction of the permanent township is to be taken shortly. The first contract, for electrolyzers, valued at Rs. 3.5 crores, was awarded in March last year to an Italian firm. This was followed by the second and biggest contract so far—that for the fertilizer group of plants valued at Rs. 7.5 crores. It went to a French firm. Both contracts were on one basis of deferred payment.

Rubber Factory in Ceylon: Russia would be "willing" to assist Ceylon to set up a factory for the manufacture of tyres, tubes and allied rubber products, according to Mr. P. A. Maletin, leader of the Soviet trade delegation, now in Ceylon for talks with the Ceylon Government. Russia was eager to make her purchases of rubber direct from Ceylon instead of through London or any other source, it is learnt. The Soviet delegation is now in the final stages of discussions for finalisation of trade and payments agreements for strengthening trade and economic relations between the two countries.

TRADE

Foreign Trade of India in September 1957: The provisional figures of foreign trade of India by all routes, i.e. sea, air and land, on private and Government accounts during September 1957, according to data so far available in the Department of Commercial Intelligence and Statistics, Calcutta are as follows: Merchandise, excluding transit trade of Pakistan and other overland foreign countries viz. Nepal, Tibet, Sikkim and Bhutan: Exports Rs. 61.15 crores; re-exports Rs. 39 lakhs, imports Rs. 83.42 crores; Total trade Rs. 144.96 crores. Treasure: exports (including

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re-exports) of currency notes Rs. 9 lakhs, others negligible. Imports of gold Rs. 3 lakhs, currency notes Rs. 3.65 crores, others nil. **Balance of trade:** the merchandise import figures are exclusive of the value of certain consignments of Government stores awaiting adjustment. Subject to this deficiency in import figures, the total value of exports (including re-exports) of merchandise and gold fell short of imports by Rs. 21.91 crores.

Indian Trade Exhibition to be Held in Khartoum:

An Indian trade exhibition, designed to give visual publicity to the wide range of Indian export goods, will be held in Khartoum, capital of the Sudan, for a fortnight from the middle of March. The exhibition, which will be the first of its kind to be organised by India in the Sudan, will, besides promoting trade between the two countries, also demonstrate the industrial progress in India since Independence. The exhibition will be divided into five main sections dealing with machinery and the engineering goods, producer and consumer goods, semi-finished industrial goods and raw materials, agricultural products and general information on India. Among machinery and engineering goods on show, will be machine tools, grinding wheels, diesel engines, textile machinery, agricultural implements, pumps, sewing machines and bicycles. Electric motors, transformers, batteries, electric fans and heaters and other domestic appliances, will be shown. The other electrical goods on display will be radio sets, telephone and telecommunication apparatus, amplifiers, microphones and other electronic equipment. In a special section, the visitors will see mill-made and handloom textiles-cotton, silk, and wool as well as rayon. India is a considerable supplier of textiles to the Sudan. Brocades, zari goods, Kashmir shawls and ready-made garments and dresses will be another feature of this section. Handicrafts will also be on view in the section. Among other items to be exhibited will be sports goods, fountain-pens, plastic goods, tea, coffee, pickles, tinned fruits, jams, cashewnuts and shellac. In a separate section, models, maps, photographs and charts will provide the visitors an insight into the development work in India. Manufacturers and business men interested in displaying goods in the exhibition may contact the Exhibition Branch of the Ministry of Commerce and Industry which is organising the exhibition.

FINANCE

Foreign Exchange for Private Sector: The statement giving the figures of foreign exchange released for import of principal commodities required by private sector is as follows:

Names of commodities	(Rupees in crores)		
	1955-56	1956-57	1957-58 (Apr.-June)
1. Cotton, raw and waste	57.6	48.2	6.1
2. Jute, raw and waste	18.4	7.8	1.5
3. Dyes and colours	15.7	15.0	3.6
4. Chemicals	21.8	28.9	5.6
5. Machinery	107.6	151.2	44.3
6. Iron and Steel and Manufacturers	58.4	119.4	26.8
7. Other metals and manufactures	23.7	37.2	10.2
TOTAL	303.2	407.7	98.1

The above figures include payments on certain public sector imports channelled through the private sector, such as iron and steel for Government use, and equipment and raw materials for some projects in the public

sector. The total value of the payments on account of imports (c.i.f.) on private account which includes the commodities referred to in the statement above is as follows:

	(Rupees in crores)
1955-56	611.7
1956-57	795.9
1957 (April-September)	380.3

Avoidance of Double Taxation between India and West Germany: Negotiations on a convention for the avoidance of double taxation between India and the Federal Republic of Germany which lasted a week, have now ended in agreement on a good number of points. Some points were left open for further consideration. The negotiations were conducted in a friendly atmosphere and a spirit of mutual understanding. The three-member official delegation which visited New Delhi for the talks has left for home.

GENERAL

Development of Salt Industry: The Government of India have set up a nine-man committee to enquire into the working of the salt industry in the country and recommend measures for its development. The Union Deputy Minister for Commerce and Industry, Shri Satish Chandra, is Chairman of the Committee. The Committee will examine the position of the large, medium and small-scale manufacturers of salt and assess their production. It will also review the concessions given to salt manufacturers, particularly the small-scale producers, and ascertain how far these concessions have helped in the development of the industry. Any practical difficulties experienced by small manufacturers will be investigated. The question whether statutory provisions like those contained in the Minimum Wages Act can be made applicable to the industry to help the labour employed in it, will also be examined by the Committee. Another important question referred to the Committee by Government is the organisation of co-operatives in the salt industry. It will assess the progress made in recent year in the co-operative field and recommend measures for encouraging salt manufacture on co-operative basis. The question of quality control in salt manufacture will be studied by the Committee. In doing this, it will keep in view the difficulties of manufacturers as well as the requirements of the general public, the industries based on salt and the export market. The Committee has been asked to complete its work within six months.

Pattern of Unemployment among Graduates: A study to ascertain the pattern of unemployment among graduates has shown that the problem is more widespread in West Bengal, Uttar Pradesh, Bombay and Delhi than in other States. The highest incidence of unemployment among women graduates is in Kerala. This is the first of a series of employment and unemployment studies, which are being undertaken by the Manpower Division of the Directorate of Employment Exchanges, Ministry of Labour and Employment. The analysis was made on the basis of registration details furnished by 151 Exchanges in the country regarding graduates seeking work through Exchanges, as on May 15, 1957. Particulars of 26,297 graduates were received from the Exchanges and a detailed analysis was made of 25,785. Of the total number seeking employment, 24,425 (92.8 per cent) were men and 1,872 (7.2 per cent) women.

NEWS IN BRIEF

INDIAN

The Government of India have announced the decision to set up an autonomous national productivity council in accordance with the recommendations of the seminar on productivity held in November last.

It is reported that the Government of India have assured the U.P. Government of providing all the foreign exchange need of the Rs. 46 crore Rihand Dam Project, the biggest multipurpose project in U.P.

The Government of India have announced details of licensing procedure in respect of the quota of 5,000 tons of nigerseed released for export on January 6.

The Government of India have decided to issue supplementary licenses to established importers for the import of photographic sensitized materials, according to an official notification.

According to trade notices issued by the Joint Chief Controller of Exports, Bombay, aluminium collapsible tubes will continue to be licensed freely for export to all permissible destinations during the period January-September, 1958.

The Joint Chief Controller of Exports, Bombay, announced recently that a limited quota of green chillies had been released for shipment during the period January 1958 to the end of March 1959 to all permissible destinations except Pakistan and the Portuguese possessions in India.

Central assistance has been sanctioned for the settlement of 1,000 landless agricultural workers on Bhodan lands in Bihar during 1957-58.

A pilot survey of fertilizer and other farming practices is being conducted in Ferozepur district of Punjab.

The Union Food and Agriculture Ministry will shortly set up a pilot training centre in hide tanning, curing and caracas utilisation at Rampur, a Delhi village.

The excise revenue of the Delhi Administration registered a sharp fall during the past year. It fell from Rs. 1,18,27,363 in 1956 to Rs. 1,00,22,376 in 1957. In 1955 it totalled Rs. 1,20,88,607.

The Government of India has reviewed the export policy of guar gum and have decided to allow its export by its manufacturers. Applications for this purpose should be made to the Export Trade Central authorities in accordance with the procedure being notified by them.

The Government of India has decided to raise its contribution to the contributory provident fund from 6½ per cent to 8-1/3 per cent of the emoluments of its employees. The minimum rates of the employees contribution to the provident fund has also been raised from 6½ per cent to 8-1/3 per cent. The increase will be made with retrospective effect from September 1, 1957.

The Central Social Welfare Board has decided to set up 100 pilot welfare extension projects in urban areas of Bihar. The Board has earmarked a sum of Rs. 25 lakhs for these projects for the remaining part of the second Plan period.

FOREIGN

The Canadian chartered bank's monthly statement shows that personal savings deposits on November 30 amounted to \$6,036 million, compared with \$6,225 million at the end of the previous month and \$5,406 million on November 30, 1956.

The US had a favourable trade balance of \$6,500 million (about £2,321 million) in 1957, exports increased by 13 per cent and imports by 2 per cent according to the US Commerce Department.

The Belgian E.P.U. account for December shows a surplus of \$31.78 million equivalent to Frs. 1,589 million of which Frs. 1,170 million is accounted for by the borrowings in Germany not brought into the November account.

The Norwegian authorities have extended the O.E.E.C. import free list to include various items not previously free-listed, thus raising the proportion of freed imports from Western Europe by 0.6 to 81.4 per cent.

South Africa's total gold and foreign assets in the week ended December 27 totalled £102.1 million compared with £103.9 million, a week earlier.

Asian output of manufactured goods increased at an annual rate of ten per cent from 1948 to the first half of last year, the biggest increase of any continent, according to UN figures.

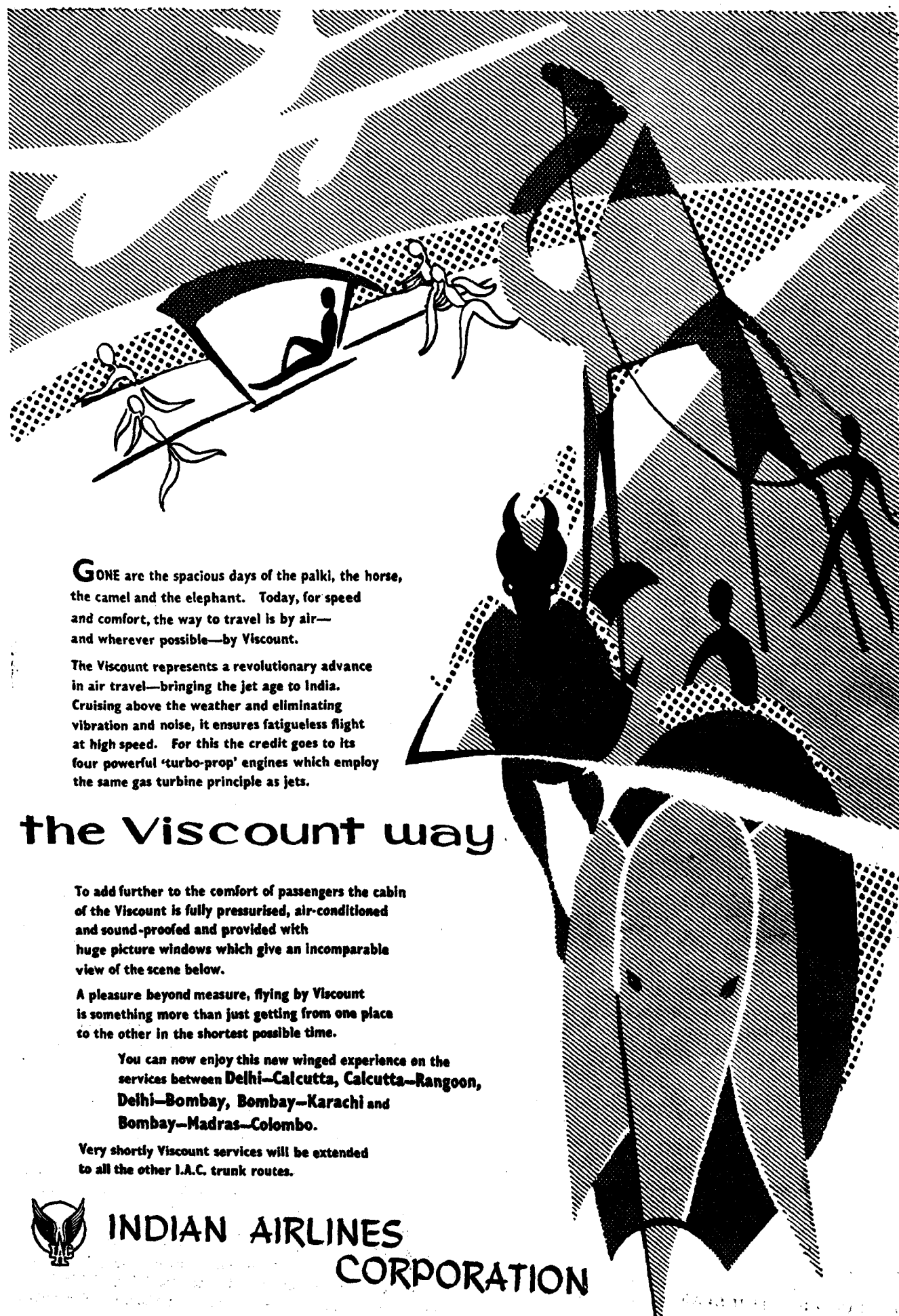
The US expects that it will soon receive a request from the UK for renewal of the expiring US Export-Import Bank line of credit. The UK obtained \$500 million on the credit line from the bank in December 1956 and withdrew \$250 million in October, 1957.

The report of the establishment of a second Dutch synthetic rubber factory by A.K.U. has now been confirmed. A.K.U. and B.F. Goodrich Chemical Co., of Cleveland, have decided upon a joint establishment of a new company for the manufacture of synthetic rubber for special purposes.

Contracts worth more than £700,000 were concluded with British Companies by the Chinese textile machinery mission before it left Britain at the end of last year.

Supplies of the first British acrylic fibre—"Cour-telle" are now being produced at a Coventry plant by Courtaulds. The current price of the new fibre is 100d. per pound and it is available as continuous tow or staple fibre for processing on all systems.

The Riksbanken announces that the Swedish Krona is now freely transferable to more countries. This free transfer from January 1—is valid for all countries outside the dollar zone with the exception of Brazil, Spain and Eastern Europe.



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A DELHI DIARY

DUALITY IN HISTORY?

THIS week more than at any time I remember in a long journalistic career, we had to look on two separate theatres with almost equally concentrated attention. At Gauhati where the All-India Congress Committee is in session the Prime Minister's great leadership has transformed the usual routine of the A.I.C.C. into a major political event. It has been difficult for those of us left behind in Delhi not to pour over the news in Gauhati much more than is proper for a good rendering of the scene in Delhi; for Delhi was also full of events. On Saturday, there was the British Prime Minister's press conference which needed all our attention. On Thursday, there were two conferences in one day, one presided over by Mr. Ellsworth Bunker, the American Ambassador, and the other by Mr. H. M. Patel, both conveying the welcome news of the new 225 million dollar loan to India. I was overwhelmed by the duality exacted from us and protested (irrelevantly) to a senior journalist on this exacting demand which history is now making upon us. I was agreeably surprised to find that he had a good word to say for history. At long last, it seems history is taking on the true dual character with which God invested the world. He reminded me how the animals went two by two into Noah's Ark. Also men and (who could forget them?) women; and legs and hands in eyes and ears in all animals, and so forth. Was it the human animal and so on and so forth. In part-surprising that there was duality in history? In particular that giants in the modern world come two by two. I am now so convinced that I am now preparing my two eyes and ears to look in different directions every time a journalistic event appears!

THE PRIME MINISTER

Nevertheless, I admit I do not see equally. I cannot follow Delhi events with the same sense of elation with which I have been following events in Gauhati. For the first time A.I.C.C. members seem to be speaking their minds unafraid of majority opinion in the High Command, or of the Prime Minister's personal prestige. But in this process the Prime Minister's prestige has gone even higher, particularly in his splendid speech on the economic situation. I quote, notwithstanding the fact that it is highlighted in almost all daily newspapers, two sentences which I think should be engraved on every mind.

"My days are numbered. I do not know what further I shall see in future, but imagine what amazing changes the young men of the present generation will see in this world."

"Keep out of your petty grooves, keep out of your petty conflicts and think of the great age you live in and try to make yourselves great because the age demands this greatness."

I have always felt (reluctantly following 'The Eastern Economist' line) that in a democracy the heroes of the Revolution should not exert undue leadership; but I must confess that I wonder what we would have done had the Prime Minister's leadership not been there this time.

MR. HAROLD MACMILLAN

I must return to Press Conferences of which I have said that there are three to report. The first of these held on Saturday at 3 P.M.—believed to be the most

somnolent hour in the day and one which, privately, coincides exactly with my siesta!—might have been expected to be less exciting than usual. Mr. Macmillan's deliberate tone also tends to make a Press Conference a little pedestrian. But the substance of all he said was so clear and delivered with such assurance and dignity that what might have been a pedestrian conference became a really important one. I have not met anyone in the press, who was present, who has failed to be impressed by the character of the Prime Minister's replies. Personally, I was particularly struck by his last utterance when an over-excited journalist, obviously asking for trouble, referred to the "passing round of armaments". The Prime Minister was obviously hurt; and for the first time spoke with feeling of his terrible experiences in two world wars. He carried conviction at once on the point that emphasis on nuclear weapons only was a source of distraction from the major problem which was getting all war out of the way.

Since little has been said in 'The Eastern Economist' of the British Prime Minister's visit, may I say that many of us as well as the Prime Minister himself were taken aback by the extraordinary spontaneous character of the popular reception which he received. He was obviously touched at the Red Fort; there are many astrologers who now, instead of looking at the stars, are putting this and that piece of news to argue that a new era in Indo-British relations is bound to come. I will leave astrology to the Editor!

THE FOREIGN EXCHANGE "BLUES"

I must not ignore the Press Conference over which Mr. H. M. Patel presided. Mr. H. M. Patel and Mr. B. K. Nehru have borne the brunt of the foreign exchange "blues"—the most serious epidemic from which we have recently suffered. Until everyone's spirits were raised last Thursday, there was much general criticism of the Ministry of Finance and, illogically in these democratic days, when Ministers are theoretically responsible for their acts, there has been criticism of civil servants in it. Now happily all seems to be well; for how long, it is difficult to say, but the goodwill for Mr. Patel in particular has been very high for more reasons than one!

MR. ELLSWORTH BUNKER

I am passing quickly on to Mr. Bunker's conference not only because of the good news that it conveyed in clear language but because I wish to say something about Mr. Bunker himself. It is not generally known that Mr. Bunker was a leading Banker, having been associated with the Bankers Trust of New York, before he became head of the American Red Cross. The remarkable ease with which American business men pass from great executive offices to community chests and charitable organisations is something which has to be seen to be believed. Incidentally charitable organisations in the United States are not afraid, as so many similar organisations here are, of organising their operations in a straight business like manner with business men in charge. They like business executives more than politicians in their social welfare work. It may be also that they realise more clearly than we will ever do, that, in this world, it is wise even in charity to make friends (in the Biblical phrase) with the Mammon of Iniquity. A very ardent social worker was telling me this week, how important it was for all the arts of peace to have the sinews of war! On which heretical note let me withdraw!

ARGUS.

Special Article

CLIMATIC EFFECT ON TEXTILE LABOUR PRODUCTIVITY

HIGH temperature and humidity in tropical countries raise problems of industrial heat control which are of a larger and much different magnitude than those posed in countries with temperate climates. The Union Ministries of Labour and Health jointly sponsored a project in 1955-56 to conduct an investigation in heat control in the cotton textile industry. Ahmedabad textile mills were selected for the purpose of the experiments. This project was carried out in collaboration with the US Technical Co-operation Mission, the Ahmedabad Textile Industry's Research Association, The Indian Council of Medical Research and a few other organisations. The TCM provided the services of two experts — Dr. William F. Ashe, Thermal Environment Health Consultant who was in charge of overall direction, and Mr. Edward J. Largent, Industrial Hygiene Engineer. The elaborate investigations undertaken and the conclusions as well as recommendations based on them have been embodied in a valuable Report on Thermal Stress in the Textile Industry, issued by the Chief Adviser of Factories to the Union Ministry of Labour and Employment.

Here it is proposed to discuss only the investigations carried out in labour productivity in relation to varying heat loads. Scientific studies carried out in different countries earlier have established the basic principle that the effects of high temperature are seen in increased sickness, higher accident rates and lower productivity. The job or drawing-in-ends manually through healds was selected for analysing the impact of thermal stress on productivity, speed of work and duration of rest during working hours. This particular job was selected for analysis for a variety of reasons. It is an essential skilled job in the cotton textile industry where its technical aspects are unaffected by humidities or temperatures. This job lends itself to

an accurate measurement of output of work, time devoted to work and spent in resting. The influence of other physical environmental factors like noise and dust could be eliminated in this case. Finally and no less important, the psychrometric chamber which was specially constructed for the experiment was of a small size and could accommodate the largest number of workers performing this job. The job is done by pairs of workmen — "drawing-in-tenders" and "reachers" of whom four pairs of volunteers were selected. The experiment was conducted from August 1, to August 27, 1956, in the monsoon season, which is characterised by warm weather with high humidity and a rather fixed wet-bulb temperature.

This study was conducted under six different controlled conditions of climate which represented the upper range of temperatures noted in Ahmedabad. The dry-bulb and wet-bulb temperatures inside the psychrometric chamber in the six different climates (A to F) were manipulated to raise them substantially above the temperatures outside the chamber to obtain results under higher thermal stress. The results are vividly shown in three graphs with reference to dry-bulb, wet-bulb and effective temperatures. The wet-bulb temperature is of crucial importance inasmuch as "it is the primary index of the ability of air to cool man at high temperatures and hence it is the measure of heat environment he can tolerate" (p. 67). The graph exhibiting the effects of climate on production, rate of work and rest with reference to wet-bulb temperature is reproduced on the next page.

For convenience of analysis the statistical data contained in different tables in the study of this topic in the Report are tabulated in a consolidated form below:

EFFECT OF VARYING CLIMATIC CONDITIONS ON PRODUCTIVITY, DURATION OF REST DURING WORKING SHIFTS, AND RATE OF WORK

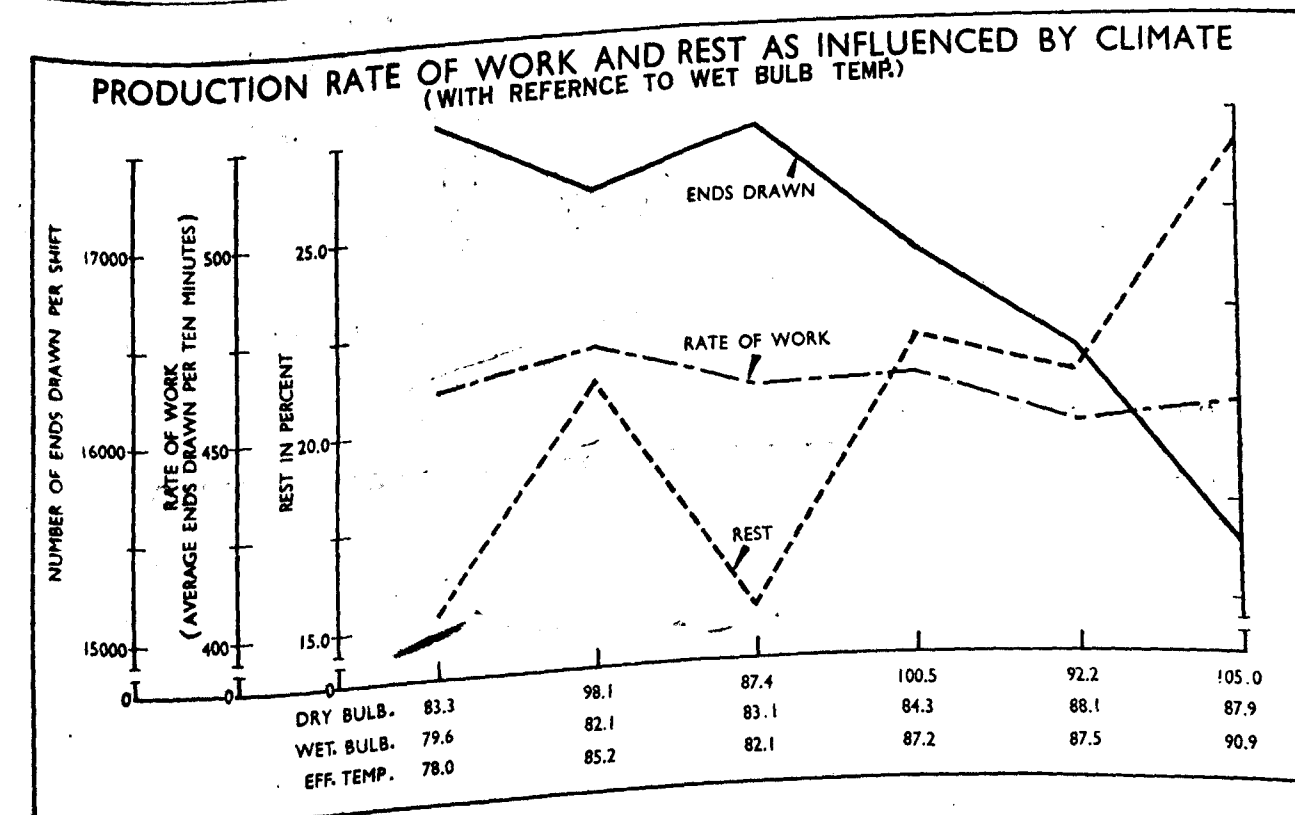
Climate (Average Temperature in Degrees Fahrenheit)	A	B	C	D	E	F
Dry-bulb	83.3	87.4	98.1	100.5	92.2	105
Wet-bulb	79.6	83.1	82.1	84.3	88.1	87.9
Effective Temperature	78	82.1	85.2	87.2	87.5	90.9
Production (Total ends drawn during 8 hour-shift)	17,570	17,470	17,180	16,840	16,270	15,270
Rest in per cent (Duration of Rest) within and outside chamber.						
Due to habit	12	12	12	12	12	12
Due to stress of heat	3.28	3.06	9	9.92	8.09	14.7
Hours of Shift						
9 A.M. to 10 A.M.	471.4	472.1	474.1	468.4	456.9	452.5
10 A.M. to 11 A.M.	478.8	484.8	467.1	453.5	436.0	456.8
11 A.M. to 12 Noon	463.6	461.5	480.1	474.6	454.2	439.5
12 Noon to 1 P.M.	454.6	472.4	461.2	454.4	453.0	448.5
1.30 P.M. to 2.30 P.M.	450.8	439.5	466.4	451.1	442.9	458.5
2.30 P.M. to 3.30 P.M.	474.8	437.1	465.5	467.5	468.4	436.0
3.30 P.M. to 4.30 P.M.	439.4	449.6	466.0	458.5	423.9	454.9
4.30 P.M. to 5.30 P.M.	424.4	422.6	481.9	441.6	434.6	446.0
Average	457.2	455.0	470.3	458.7	446.2	449.1

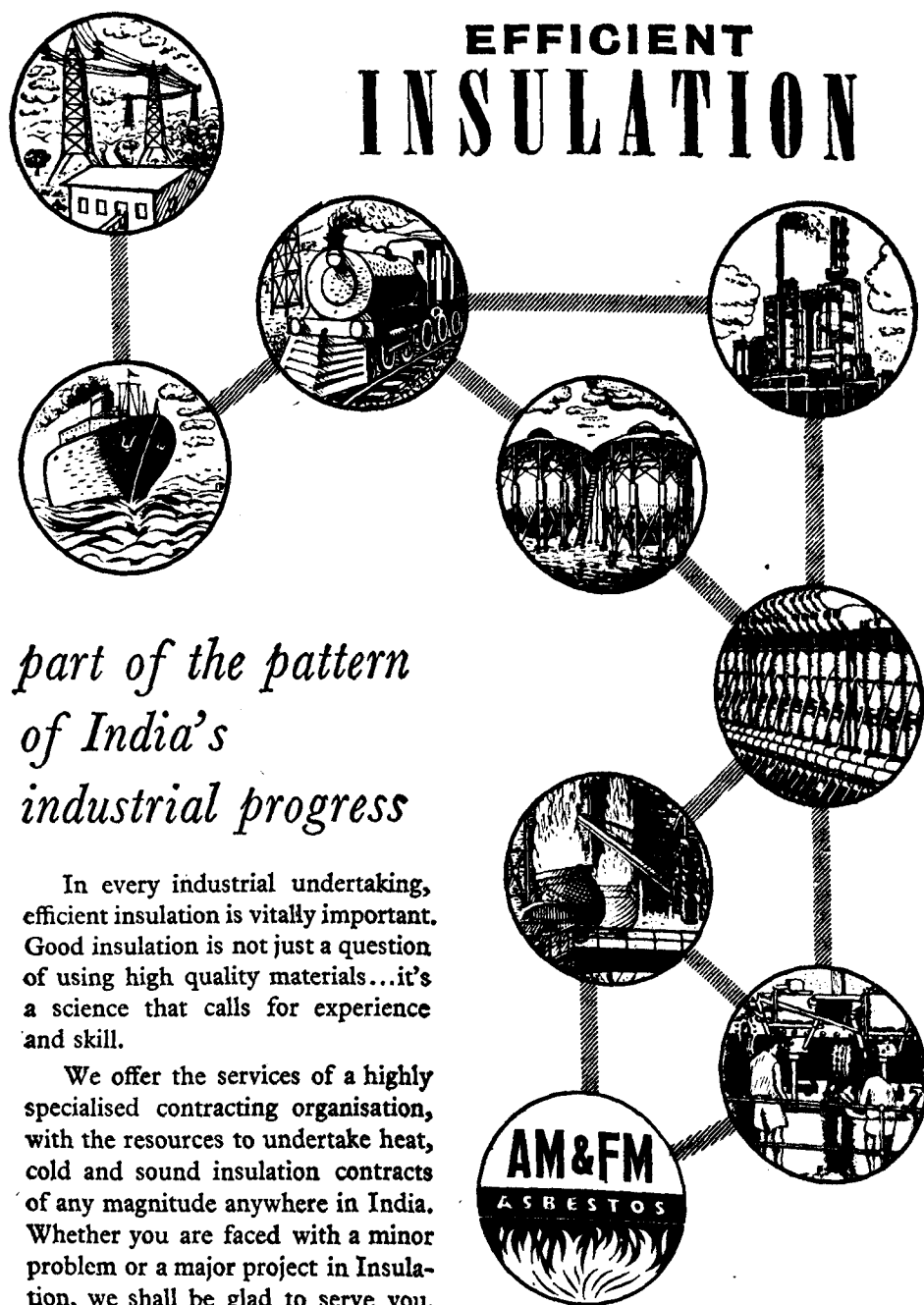
The major conclusions about the effect of heat loads on productivity can now be stated. Analysis of data in respect of dry-bulb temperature indicates that below 100.5 degrees the output declines. But dry-bulb temperature is by no means a decisive factor to which decline in output can be attributed. This is demonstrated in a striking manner in climate E where in spite of low dry-bulb temperature of 92.2 degrees and almost the same degree of effective temperature, production has decreased by 570 ends or 3.4 per cent below that in climate D. In climate F it is difficult to isolate the effect of any one of the three temperature categories, since the effective and dry-bulb temperatures are high, while the wet-bulb temperature is very nearly at the maximum obtained for the experiment. The sharp fall in output in climate E compared to the output in D, despite a negligible difference in the effective temperature in the two cases, shows that its impact is not great. The finding of the Report to the effect that no emphasis can be laid on the influence of effective temperatures since "they do not demarcate the region of decreased productivity with sufficient accuracy" is fully borne out by the statistical trends.

It is the wet-bulb temperature which primarily explains the correlation between thermal stress and labour productivity. Variations in output in climates A, B, C and D are of little statistical significance, and between climates A, B, C and D, on the one hand, and E and F, on the other, they are quite marked in a degree that justifies clear conclusions. One highly significant trend disclosed by the table is that wet-bulb temperature is easily the most important factor influencing labour productivity. This is explained by the almost identical but high wet-bulb temperatures in E and F accompanied by a significant decrease in output. The conspicuous decline in output in climate E below D is to be attributed to the increase of 3.8 degrees in the wet-bulb temperature in the former. If the data in C, D and E are scrutinised closely for the effect of temperature on output, wet-bulb temperature emerges as the real factor of influence. A safe upper limit of thermal stress for Indian textile workers has been defined on the basis of several studies including the one on productivity carried on in this investigation. The variations in the rates of production, computed

in terms of ends drawn in 10 minutes, have been analysed in the Report for two purposes — to establish (1) the relation between temperature and rate of work and (2) the influence of fatigue on the output rate. The inferences suggested do not find adequate corroboration in the tabulated figures. The Report explains away the peak average rate of 470.3 ends in climate C by suggesting that probably there was deliberate effort on the part of the workers to compensate for the long rest periods, enjoyed by them in this case. If so, this consideration ought to have applied with greater force in climate D where even a higher rest period was taken. Ordinarily the average output rate should have been at its highest in climate A with the lowest temperature under the three types. In respect of the fatigue factor in relation to the rate of output, the Report observes that "the data reveal a consistent fall in work rate from the first hour in the morning to the eighth hour in all the climates" (P. 28). This consistency is not to be found in the above table. The rate was at the maximum in the first hour of the shift only in climate D. In climate C the peak was reached in the last hour. Minimum rates of work do not occur necessarily in the last hour. Far from showing any consistency, the work rates reveal erratic trends. The punctuality with which the workers performed their jobs in the psychrometric chamber and the absence of any grievances and disputes on their part are in fact factors conducive to consistency. The report records the finding that decline in co-ordination of work between the pairs of workers was noticeable under severe thermal stress in climate E and F, but not in the other climates. These are the circumstances which should have helped consistency in output rates. All that can be stated is that even under controlled conditions the effects of fatigue on the rate of work cannot be isolated from the effects of other factors with precision even when thermal stress is quite severe as in climates E and F.

Similar investigations are indicated on a wider scale in the textile industry and other hot industries like steel, glass, aluminium, paper, and so forth, to provide a scientific basis for amending statutory regulations governing conditions of work in factories consistent with climatic requirements in this country.





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Letters to the Editor

"CO-OPERATIVE SECTOR?"

Sir,

Please refer to the comments of "Croesus" in your issue dated December 13, 1957 on page 900. "Croesus" has unnecessarily linked my official position with my letter published in the previous issue even though I had refrained from doing so in his case. His reply raises certain issues and I deem it my duty to reply to them. Kindly, therefore, published the following in your esteemed journal and oblige:

My suspicion that "Croesus" is not conversant with the principles and practice of co-operation has been amply justified by his reply in your issue dated December 13, 1957. In his opinion, co-operators seem to be making a bid to create a separate sector for themselves. Factually, they are striving for it in the hope that its creation would lead to the elimination of the evils associated with the public and private sectors. At the same time, it is conceded that if the co-operative sector has to choose a lesser evil, it will prefer State capitalism to private capitalists. Whether the facilities made available to the co-operative sector by the Government are excessive against this background and in relation to those available for the private sector is a matter of opinion and the best thing would be to demand an impartial enquiry.

"Croesus" asks whether it is fair for co-operative banks to want to keep for themselves, of course with the help of Government, all the monies of co-operative institutions. I might inform him that the movement is based on this principle and the Government help is sought only to the extent of enforcing the provisions in the Co-operative Societies Act passed over 32 years ago. He again asks how can the commercial banks take away the deposits from co-operative banks. The returns from co-operative banks speak for themselves.

As regards his advice to co-operative banks to restrict themselves to the provision of agricultural credit exclusively, I may only request him to urge the commercial banks to meet fully the requirements of the private sector. The fact is that, whether it is in the field of agricultural credit or private enterprise, the individual moneylender who dominates the field of financing the economic activity and not a particular type of institution. This applies to both commercial banks and co-operative banks. It is a misnomer to think that co-operative banks' advances to sugar factories would impede the growth of agricultural co-operative credit. The outside sources of funds for the two purposes are not inter-dependent. Sugar manufacture is an extension of cane production and the money recovered from the latter is used, to a large extent, to finance the former. He need not apprehend that co-operative banks would ultimately starve the legitimate needs of the agriculture. It is this misconception which has prompted him to suggest that the extension of co-operative movement to any other sphere before satisfying all the needs of the agriculture or at the cost of the agriculture is not in the best interest of our country. Does he want to suggest that agricultural production can thrive without the support of orderly agricultural marketing and processing activity?

Yours faithfully,
G. M. LAUD.

December 21, 1957.
Bombay, 14.

II

Sir,
In regard to the letter dated December 21, 1957, of Mr. G. M. Laud anent to my reply to his letter that appeared in the issue of 'The Eastern Economist' of December 13, 1957 (page 900), I have only this to

say. If it pleases Mr. Laud to think that I don't know anything about the principles and practice of co-operation, I shall not deny him that pleasure. But I am satisfied that he confirms my thesis—in a way even more emphatically than I have done—that co-operators are creating a separate sector for themselves, as distinct from the private and the public sectors.

I further note that Mr. Laud concedes that both forms of capitalism—State capitalism and private capitalism—are evils, but he is taking too much for granted when he assumes (by implication) that, of the two evils, the worse evil is that of private capitalism. Maybe that held good of private capitalists of the robber baron type Mr. Laud and I used to read about when he had not yet become a confirmed co-operator and I had no notion of figuring as 'Croesus' in these columns. The enlightened capitalism of today has more good things to its credit than some fossilised folks are prepared to concede.

And, as for the suggestion that the best thing to do to find out whether the facilities made available to co-operative sector by the Government is excessive in relation to those made available by the Government to the private sector (not, again, as Mr. Laud deliberately re-iterates, "in relation to those available for the private sector"), no sane person would object.

Mr. Laud does me less than justice, when, after suggesting that I am still to be initiated into the mysteries (or is it the esoteric circle?) of co-operation, he quotes only a part of a sentence from my letter and bases his criticism thereon. I feel convinced I have been quite fair alike to co-operative banks and to commercial banks in saying that, after making a "closed shop" of co-operative banks and shutting out commercial banks altogether from the co-operative sphere by all ways open to it, it cannot lie in the mouth of co-operators to complain that commercial banks offer better terms and so their (co-operative Banks) clients tend to turn more and more to commercial banks. If all the noble gospel of co-operation and a legislative enactment on the top of it are not enough to keep co-operators within their own sanctified fold, why should commercial banks be blamed for it? Being commercial banks and believing in competition in a Sovereign Democratic Republic where freedom to practice one's trade is guaranteed under the constitution, as it is in our country, surely the commercial banks cannot be chastised for offering attractive terms. So my advice to co-operators is: "Physician, heal thyself".

I am quite prepared to urge commercial banks, as Mr. Laud has asked me to do, to be content to meet fully the requirements of the private sector, but the difficulty is, by reason of the favoured treatment to certain sectors, commercial banks find that they are not even masters of their own resources, a fact which cannot be unknown to Mr. Laud. Be that as it may, when I suggested that agricultural credit is a sufficiently vast field for the practice of co-operation, I should not be misunderstood as suggesting that co-operation should extend to no other spheres. Let co-operative institutions pervade, by all means, the entire gamut of our economic life, but let first things come first. If Mr. Laud wants a frank answer from me, agricultural production in India was marketed all right even before the advent of the so-called "orderly agricultural marketing and processing activity"—this is obviously synonymous to co-operative marketing in the dictionary of Mr. Laud—and perhaps better than by a co-operative marketing agency whose shortcomings were highlighted, be it said to his credit, by Mr. Laud himself.

Yours faithfully,
"CROESUS".

[The correspondence on this subject is closed.—Ed.]

The Business World:

SEARCHLIGHT ON SUGAR

By CROESUS

THE Association of Indian Trade and Industry deserves to be congratulated for bringing out yet another useful study on financial trends in Indian industries. This time, the industry selected is the sugar industry, which is the third largest industry in the country from the point of view of value of production. An interesting and notable feature of the latest study by the Association is that the data have been classified according to regional as well as capacity groupings. The results of the study from the angle of regional groupings are especially interesting, inasmuch as they bear out the more or less general impression that, broadly speaking, the Southern region is better suited for the location of the sugar industry. For the first time, factual data have been compiled and presented in all their details which establish clearly that the sugar industry is more of an economic proposition in the South than in the North. Perhaps the only advantage that the Northern region can claim is that of having come first in the field and, therefore, of having benefitted from the relatively lower price of plant and machinery in the thirties.

From the brief history of the sugar industry, with which the study begins, the spectacular progress of the industry, especially since 1932, becomes obvious. By and large, the industry has more than compensated the country for the grant of protection to it. Even during the first Five-Year Plan, the record of the sugar industry exceeded the expectations of the planners, the actual production in 1955-56 being 25 per cent in excess of the first Plan target. As compared with the increase in production from 1.12 million tons in 1950-51 to over 1.8 million tons in 1955-56, the second Five-Year Plan envisages an increase (from 1.8 million tons) to 2.25 million tons. Besides involving a total capital outlay of about Rs. 50 crores, this will mean an increase in the number of sugar factories by 68 units, out of which as many as 35 are to be co-operatives. It is a pity that, during the period covered by the Study, sufficient data were not available about the working of co-operative sugar factories.

The Study gives the main reason for the sugar industry in India tending to shift towards South more and more, namely "to take advantage of the external economies provided by the expansion of irrigation facilities in recent years". There were also other reasons, as the Study itself indicates. Thus, the yield of sugarcane in the South varies between 40 to 60 tons per acre, as against only 20 to 40 tons per acre in the North. Accordingly, the need of an average sized plant of, say, about 800 tons capacity is only 3,000 to 4,000 acres of land in the South as against 7,000 to 10,000 acres in the North. The lower acreage requirements enable the Southern factories to get their supply of cane within a radius of only about 4 to 5 miles, as against as much as 10 miles in the case of the Northern units. It is needless to add that, the greater the distance from which sugarcane has to come, the greater are the chances of drriage and a corresponding loss of sucrose content. Secondly, the sugarcane grown in the South is superior in sucrose content to that grown in the North. Thirdly, South India has the advantage of a considerably longer sugarcane season (about 159 days in a year) than North India (about 118 days). Actually, some factories in the South grow sugarcane almost all the year round. All these doubtless explain why the number of sugar companies (those covered by the Study) in the North India increased from 53 in 1937 to 71 in 1954, whereas the number of factories in South India doubled from 13 to 26; similarly, whereas the

production income of the Northern units increased about 6½ times (from about Rs. 8 crores in 1937 to Rs. 51 crores in 1954), the increase in the production income of the Southern companies over the same period was from Rs. 1.53 crores to Rs. 20.51 crores, or about 14 times! Again, the share of the companies in the South in the case of production income increased from 17 per cent to about 30 per cent and, in the case of gross fixed assets, from 16 per cent to 39 per cent. (The higher proportion of increase in the latter case reflects the comparatively higher capital costs of new companies due to inflated prices of plant and machinery). It is because of this that the shift in the industry's development in favour of the South as the Study indicates, "is likely to be accentuated during the period in the second Plan", under which the majority of the new mills are to be established in the South. Incidentally, this should serve to satisfy the people of the South who have been complaining that the extent of industrialisation in the South has not at all been satisfactory or comparable to that in the North.

There are a number of conclusions, besides, that bring out the relative superiority of the South in the matter of the location of the sugar industry, to which a brief reference may be made. Since the prices of sugarcane and sugar are fixed on a uniform basis throughout India, it is said "the economic advantages of the South are reflected in the figures of relative profits, which, for the period as a whole, work out to about double the corresponding figures for the North. For instance, the ratio of profits before tax to the total income for the whole period was 13.2 per cent for the companies in the South, as against 6.4 per cent for the companies in the North. The ratio of profits after depreciation and tax to net worth (capital plus free reserves) during 1937-54 was 11.4 per cent for companies in the South, as against 7.6 per cent in the North. The profits before depreciation and tax per ton of crushing capacity in 1954 were more than twice as much in the case of companies in the South as in that of companies in the North. Higher profits of the companies in the South are also due to their owning relatively more land than their counterparts in the North and consequently being less dependent on outside supplies of cane and deriving more agricultural income from the highly remunerative line of growing sugarcane...." Another contributory factor is the practice of fixing the price of cane supplied to factories irrespective of the sucrose content, which places the Southern factories at an economic advantage owing to the relatively higher sucrose content of cane grown in the South. (This advantage may not last indefinitely, if the proposed formula for payment on the basis of sucrose content is adopted). In view of the decided superiority of the South for the location of sugar factories thus, one would ordinarily have expected some of the uneconomic units in the North, especially those which are not able to crush to their full capacity for want of adequate supplies of cane, to move to the South. But, for a variety of reasons, including the unwillingness of the Governments of the States concerned, this has not been possible.

Capital formation in the sugar industry, according to the Study, makes interesting reading. Thus, the book value of the gross assets of the companies studied increased from Rs. 4 crores in 1937 to Rs. 118 crores in 1954. Of this, about 40 per cent was accounted for by gross fixed assets and 25 per cent by inventories. The increase in assets was financed by internal sources i.e. depreciation and free reserves to the extent of 44

per cent; issue of new shares for cash 12 per cent; debentures and loans 24 per cent and current borrowing about 20 per cent. The net asset formation in industry over the period of the Study was Rs. 33 crores, evenly divided between net fixed assets and net current assets; and this was financed to the extent of 64 per cent from free reserves and 36 per cent from new issue of shares for cash or other consideration. The net worth of the companies increased from Rs. 9 crores in 1937 to Rs. 42 crores in 1954, of which shares issued for cash accounted for Rs. 19 crores and free reserves Rs. 23 crores.

A notable feature of the development of the sugar industry over the period has been the steady and continuous increase in working capital requirements, as is evident from the fall in the ratio of net fixed assets to net current assets from 1.9 = 1 in 1937 to 0.7 = 1 in 1945 and 0.6 = 1 in 1954. The low proportion of fixed assets reflects the low pre-war prices of the old stock as against high prices of inventories in 1954. With the shift in favour of current assets, there was also a shift from owned resources to borrowed resources, after an initial increase between the years 1937 to 1945. The ratio, however, fell from 2.3 in 1937 to 1.3 in 1954, which reflects the application, during the period, of owned resources, particularly resources accumulated in previous years, for replacement and expansion purposes and the greater reliance on loans for financing both expansion and working expenses, the latter apparently being due to the easy availability of institutional credit. Despite the increase in the number

of agencies providing institutional credit today, conditions have not been propitious for raising loans for some months now. To some extent at least, this explains the greater number of new sugar factories in the co-operative sphere than in the private sector.

An interesting disclosure of the Study is the fact that the undistributed profits of the industry are most elastic to the increase or decrease in the gross profits after tax. Thus, for every 1 per cent rise in the gross profits, after tax, over the previous year, there was a less than proportionate rise in dividends of 0.63 per cent and more than proportionate rise in transfers to reserves of 5.68 per cent. Similarly, for a fall in profits from the previous year for 1 per cent, there was a less than proportionate fall in dividend of 0.22 per cent, a disproportionately large fall in transfers to free reserves of 2.27 per cent. Equally interesting is the finding that any increase in profits due to increase in prices or tax relief is liable to be used much more to strengthen the reserves of the industry than to increase the level of dividends and any inroads on the profits, due to higher taxes or other causes, would affect the profit retention much more than dividend.

If a moral can be drawn from the foregoing Study of the finances of the Indian sugar industry, which applies more or less to any other industry also, it is that, if the authorities are really bent on encouraging capital formation, the only way in which they can do so is by providing tax reliefs.

VESTED INTERESTS IN LABOUR

By CROESUS

If any one expected—there was no doubt some justification for it—the last annual sessions of the Indian National Trade Union Congress (INTUC) and the All-India Trade Union Congress (A-ITUC), held recently at Madurai and Ernakulam, respectively, to impart some realism to the deliberations of our labour leaders in the light of the latest developments in our economy, that one has reason to feel disappointed. For, despite the grave economic situation, caused partly by the shortage of foreign exchange and partly by the short-fall in our food grains output, among several other contributory factors, one still noticed a lamentable lack of the desire and willingness to subordinate the demands of labour to the country's needs. It was tropical to see both the labour organisations press, each in its own way, for pushing ahead with the second Five-Year Plan without any pruning even in the same breath in which they put forward all manner of demands for increased amenities to labour. No doubt, Indian labour lags behind its counterpart in some Western Countries in the matter of the amenities it enjoys, but, then, labour in other countries has not only had to wait for years but also to give, by way of return, greater productivity.

It is well known that one of the main reasons for the present plight of Indian labour is the control of trade unions by political parties wedded to different ideologies. These ideological differences have sharply divided the ranks of labour also. An unfortunate feature of the Indian labour movement, this was fully reflected in the speeches made during these two sessions. While, at the Communist-controlled A-ITUC session, Communist inspiration was prominent, at the Congress-orientated INTUC conference, the Congress philosophy, as understood by the labour leaders, was discernable. In these circumstances, the chances of a genuine trade union movement with no political party or leaders to exploit it for their own personal and party ends seem very remote. Without a change in mental attitude, a mere reference to trade union unity, as was made at the Ernakulam Conference, is only to pay lip sympathy to a fine desideratum.

Be that as it may, it is noteworthy that the resolutions of both the bodies on a number of subjects happen to be similar. Thus, at both the conferences, there was a demand for a consolidated scheme of social security benefits covering illness, old-age, etc. and also for the establishment of Wage Boards for major industries. Conveniently enough for themselves, the labour leaders never bothered about the financial implications of their demand. At the present juncture, prudence demands that labour should consolidate the gains it has already got before asking for more, like Oliver Twist. Our labour leaders ought to bear in mind that there are millions of others, in other sectors of economic activity, suffering from insecurities of unemployment and violent price changes.

Of all the problems, the most widely discussed naturally were wages and industrial peace, both of the utmost importance to a country that has embarked on an ambitious industrial expansion plan. Referring to the latter, Mr. Vasavada emphasised, in his presidential address, that "recourse to Industrial Courts and Tribunals may terminate a dispute, but does not establish or restore harmonious and amicable relations between the parties. Amicable relations are maintained only when parties try to see each other's viewpoint and reach an agreement and voluntarily submit their differences to arbitration." This approach of Mr. Vasavada corresponds, more or less, to the famous Giri approach and may usher in genuine collective bargaining eventually. However, after giving this counsel, it was not in very good taste for Mr. Vasavada to exhort to the employers "not to make frequent resort to High Courts and Supreme Court". Even worse was his organisation's—the I.N.T.U.C.'s—threat that followed to agitate, if the employers continued to appeal to the High Courts and Supreme Court. One thought that responsible labour leaders, in particular of the I.N.T.U.C., would do everything in their power to create an atmosphere of goodwill and cordiality between employers and employees as an essential prerequisite to dissuading employers from resorting to Courts. Evidently the workers think otherwise and seem to believe more in the efficacy of threats and coercion. Forced with an

unpleasant predicament such as this, and one not of their own making either, would any employers be encouraged to abjure the Courts? Moreover, more matters go before the Court today than is really necessary, thanks to all manner of laws that we have on our Statute books today. The spate of hasty, ill-conceived, incoherent and complex labour legislation of the Post-independent period is, in fact, the main villain of the pieces. Such has multiplied industrial litigation to the disadvantage of both the employers and the employees. So long as this lasts, employers must perforce resort to higher Courts for revision and clarification, even if they do not want to go to courts.

On the question of wages, again, the I.N.T.U.C. Chief did well to view with some concern the present "race" between wages and prices. He rightly urged all the three parties—Government, employers, and labour—to come together in an endeavour to raise national production and end this "race". Quite appropriately, he sought to impress the organised labour force of this country that a mere wage rise would not benefit them when prices also kept on continuously rising. "An increase in wages" he said, "is not likely to solve our problem. We already find that inflation has set in and a race between wages and prices has commenced. Prices are going up and wages are lagging behind. To whatever level our wages may be raised, if the rise in prices is not checked, our real wages are bound to be low. The only remedy appears to be to curb the rise in prices of food grains and other consumer goods, without affecting the prosperity of the agriculturists and other industries."

Mr. Vasavada would have done extremely well to carry this right reasoning of his a step further to pause and inquire into the causes of the rise in prices. Now what are the reasons for this rise and how can it be

arrested, if not averted? The answer, to be brief, lies in the size of the plan and the mode of financing it. When a great deal of money is pumped into the system without there being a corresponding volume of consumer goods, there is bound to be some imbalance leading to an inflationary situation. With the present size and the pattern of investment of the second Five Year Plan remaining unchanged, as many of our politicians still persist in insisting on, the prospects of holding the price line are very bleak indeed.

There was one refreshingly welcome feature about the Madurai Conference, to which a reference must be made. It is that the speakers there were more realistic and recognised that improvement in labour conditions should be related to increases in productivity. This is also the desire of the employers. They certainly do not wish to come in the way of higher wages for their workers, but they only want to relate it to the workers' productivity, on the one hand, and to the profits of the industry, on the other. In the Indian economy, any rise in wages which is unrelated to productivity will either retard production or will have to be passed on to the consumer and thus retard consumption. Further, any increase in the wages of industries, such as coal, for example, will have a chain reaction, as it were, with its repercussions spreading to other sectors of the economy. Again, profits of Indian industries are nowhere near those of industries in advanced countries for a variety of reasons, into which it is not necessary to go here. The position in this behalf has not been helped to any extent, as it might well have been, by the taxation policy of our Government either. It is, therefore, futile, if not foolish, in these circumstances, to do anything that would impinge further on industrial profits, and it would be nothing short of criminal to do it without a material improvement in productivity.

Economic Report from the U.S.

EISENHOWER'S BALANCED BUDGET

(By GUY SIMS FITCH)

WASHINGTON, Jan. 14.—President Eisenhower's budget proposals for the 1959 fiscal year beginning next July 1, reflects as usual, the combined goals of the Administration's policy: to promote the welfare of the American people, to reinforce the national security, and to co-operate with other free nations for the sake of greater economic, political and defence strength.

At the same time, as the President noted in his message to Congress this week, the 1959 budget contains some important shifts in emphasis. This involves primarily putting more money into national defence and international co-operation (including economic aid), while holding a tighter rein on purely domestic economic and social programmes. Thus, defence and international co-operation outlays would come to an estimated \$47,000 million, compared with \$46,300 million in the present 1958 fiscal year and actual outlays of \$45,200 million in the 1957 fiscal year. Expenditures for domestic programmes—so-called civil benefits—would total \$16,000 million in 1959, compared with \$17,000 m. in 1958 and \$15,000 m. in 1957.

Total budget expenditures for 1959 (including interest payments by the Government, miscellaneous expenses and contingency allowances) are estimated at \$73,900 million. This compares with a revised estimate of \$72,800 million in the present fiscal year and actual outlays of \$69,400 million in the 1957 fiscal year. What is more, there is a possibility of still higher Federal spending rates—particularly for national security and international co-operation—in the years following fiscal 1959. The total request for new appropriations which will be made to the present session of Congress comes to \$79,100 million. Whenever new appropriation requests exceed the projected spending total—as they

do in this case by some \$5,200 million—more money obviously may be available for spending in subsequent years. Moreover, the carryover of funds which Congress has authorised in past year but which have not yet been spent, will total some \$39,900 million at the end of the present fiscal year.

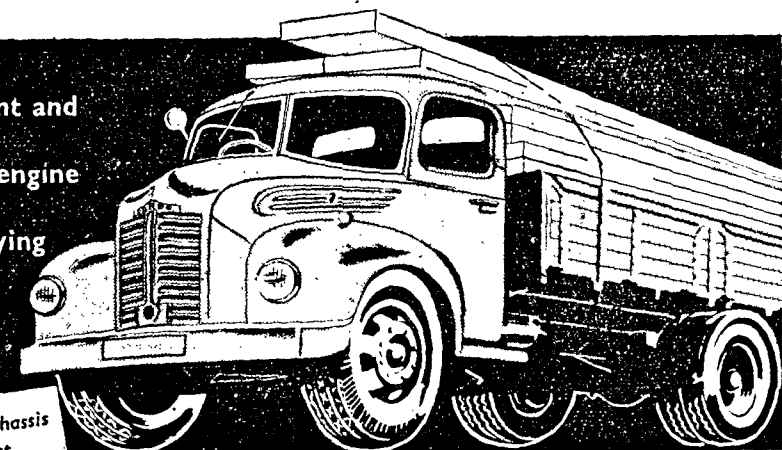
Projecting a balanced budget in the face of raising Government outlays clearly implies the Administration's expectation that the current business downturn will remain mild and will be reversed soon enough to warrant an increase in Federal tax receipts. Significantly, Treasury Department calculations of receipts in fiscal 1959 are based on a total personal income for all Americans of \$352,000 million during the calendar year 1958, compared with an estimated \$343,000 million in calendar 1957. Corporate profits, which normally respond more slowly to business trends, are estimated at \$42,000 million, about equal to the 1957 total.

Largely on the basis of these estimates, the Administration expects fiscal 1959 receipts to total \$74,400 million, which is a rise of \$2,000 million over estimated fiscal 1958 receipts. The result would be a small 1959 budget surplus of about \$500 million. The expectation of a relatively swift turnabout in the business situation is founded in part, of course, on the very acceleration of Federal spending. This acceleration already is under way, to some extent, in the defence field. But in his budget message, the President cited additional, and more fundamental, grounds for confidence in the economic outlook. These include the steadily rising trend of outlays by State and local governments for public facilities and services; the rapid pace of technological advance and its application by American industry; and the generally expanding needs of a growing population.

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BUSINESS NOTES

SHIPPING DIFFICULTIES

THE CHAIRMEN of both the Eastern and the Western Shipping Corporations have, in their annual speeches, spoken with emphasis of the difficulties in acquiring more tonnage. By and large, these are none other than the familiar foreign exchange difficulties. Unhappily, they have occurred at a time when other conditions are turning attractive, in many years, for expansion of Indian shipping by acquisition of additional tonnage, whether newly built or offered for resale. According to present indications, the order books of some foreign shipbuilding yards can take in a few fresh orders in contrast to their being overful in the past. It thus comes about that today the shipping industry is in a double disadvantage. So long as it continues to be kept outside the "core" of the Plan, it does not have many chances of taking advantage of the current favourable external conditions in order to achieve its target. How much the efforts towards arranging deferred payments will bear fruit cannot yet be estimated with any amount of definiteness. What is, however, more than likely is that the conditions which would be more acceptable to this country would not be tempting enough for the possible foreign suppliers. Nor is the performance of the Hindustan Shipyard, at least in the field of passenger shipbuilding, very encouraging. Nevertheless, it is heartening to know that offers of deferred payments to be made within five years of delivery have been received. It cannot be overemphasised that such proposals should receive urgent attention at the hands of the authorities concerned.

As for the operations of the Eastern Shipping Corporation, the working of the year 1956-57 shows improvement inasmuch as it has earned a profit of over Rs. 35 lakhs — about Rs. 3.5 lakhs more than in the previous year — after allowing for normal depreciation and taxation abroad. This is notwithstanding higher expenses on survey and repairs, which if they had kept to the previous level would have increased the profits by some Rs. 10 lakhs more. It is only proper that rather than declare a dividend the bulk of profits should have been utilised to strengthen the Corporation's reserves. The current year may be rather difficult, particularly on the India-Australia service in lifting cargoes both from India and Australia. At the same time, the problem of admission to Conferences controlling trade between Malaya and Ceylon and Australia remains unsolved due to the unrealistic attitude of the Conferences, which hampers the economic running of India's services on these routes. Obviously, such an unnatural and unfair state of affairs cannot continue indefinitely and the Conferences will need to understand the force of the situation.

The Western Shipping Corporation is still in its infancy, having come into being only a year and a half ago. It will not be difficult to appreciate that tender care and consideration should be given to it in liberal measure, in the initial stages, to set the Corporation on some stable base.

RECORD OF COTTON MILL INDUSTRY

WHILE UNDETERRED by the glaring gap between promise and performance, the 'Ambar Charkha' protagonists seem to go on planning for more and more 'Ambar Charkhas'—Mr. V. L. Mehta, Chairman of the All-India Village and Khadi Industries Board, stated in Pragjyotishpur (Assam), only last Monday, that one lakh additional 'Ambar Charkhas' would be introduced in 1958-59—it is a matter for some gratification that cotton cloth and yarn production in the organised mill sector at least has been well maintained, despite all odds. Thus, both cotton cloth and yarn output for the year 1957, at 5,302 million yards and 1,773 million lbs., respectively, show a slight improvement over 1956,

when the corresponding figures were only 5,282 million yards and 1,667 million lbs., respectively. In fact, the 1957 production figures in each case constitute fresh records in textile production of the country. But for the several impediments in the way of the mill industry, not the least burdensome of which has been the onerous excise duty, the Indian cotton mill industry would have made an even greater contribution to the country's national output in 1957.

As against this outstanding performance of the cotton mill industry, neither the 'Ambar Charkha', nor even the handloom sector, has anything worthwhile by way of comparable performance. On the contrary, while the output of yarn under the 'Ambar Charkha' scheme has been less than one-sixth of its much publicised target, the handloom interests have apparently not had the time to step up production to any sizeable extent, being otherwise engrossed, namely, in endeavouring to establish that the number of handlooms (according to them) is higher than the official figures.

But to revert to mill production in 1957. Although the official view still seems to be that the heavy excise duty has not hampered production, if figures can speak, the curbing effect of the excise duty on cotton mill output should be evident to anyone from the fact that, since the sharp rise in the duty in May last, production in every month in 1957, with the solitary exception of October—when, too, the rise was only two million yards—was lower than in the corresponding months of 1956. Although the yarn output figures did not convey a similar tale, it is not without significance that the effect has slowly come to spread to that sphere also, as witness the December, 1957 figure, which was lower than that of December, 1956. It was only in August, 1957 that the monthly yarn production was similarly lower than in the corresponding month of 1956. In other words, notwithstanding the generally higher level of production in yarn in 1957 than in 1956, there were two months—both of which were after May, 1957—in which yarn output also was adversely affected.

Advantage seems to have been taken of the mounting cloth stocks with mills in certain quarters to suggest that the demand for mill cloth in India has probably reached the saturation point. With the second Plan outlay scheduled to rise further in the years to come, it would be simply shutting one's eyes to reality to suppose that the present level of demand for cloth is the highest that can ever be expected.

IMPLEMENTING THE PLAN

MR. L. N. BIRLA'S observations in his recent presidential address to the All-India Commerce Conference on the implementation of the second Plan and the present economic situation in the country are worthy of consideration for their realistic approach. The main points of his address are that internal resources be augmented, the burden of taxation be reduced and a favourable climate for foreign capital be created for investments in this country. It is very true that so long as there is less emphasis on increasing the internal resources, a dynamic rate of development cannot be possible. According to Mr. Birla, "In spite of the fact that the entire success of the Plan hinges on the availability of foreign exchange, apparently enough attention was not paid to this problem either by the Planning Commission or by the Government during all these years." It would serve little purpose to apportion responsibility for the critical situation which has developed in regard to foreign exchange. But it is estimated only now that in the next 18 months nearly Rs. 700 crores would be needed for implementing just the core of the Plan.

Deficiency in food supply is undoubtedly causing an additional strain on the country's exchange resour-

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ces. In this context it is well stressed by Mr. Birla that if dependence on food imports is to be avoided to save foreign exchange, greater efforts will have to be made to improve the yield. Financial resources difficulty could be lessened if more foreign capital would be attracted to this country. For that purpose it is essential that additional incentives be provided to the foreign investors to invest in this country. While giving a thought to the need for stimulating the flow of foreign capital, it is also desirable as Mr. Birla pointed out that "we must have sufficient domestic investment before we can take advantage of external aid." "Foreign business men are no doubt interested in investing in India today but they can invest provided there is counterpart of internal investment to match." In this connection, it needs to be stressed that the burden of taxation needs to be reduced if a climate favourable to savings and investment is to be created. "High rates of taxation do not necessarily bring increased tax collections if their burden reduces the willingness to work or the ability to save."

PRODUCTIVITY DRIVE

THE NECESSITY for increased productivity in India cannot be disputed. It is hardly to be questioned that "increased productivity is of great importance in the context of the ambitious industrial programme in the current Plan and that it can be a powerful element of national policy for increasing wealth."

Economic development in the advanced countries of the West has shown that improvement in living standards is closely related to increase in productivity. Realising this, the decision of the Government of India to set up an autonomous National Productivity Council in accordance with the recommendations of the Productivity Seminar held at New Delhi last November is to be welcomed. The Council will launch the campaign for increase of productivity initially in all spheres of industries including large-scale, medium, small-scale and light industries. It will stimulate and facilitate the establishment of local, regional and industry-wise Productivity Councils through which productivity services would be made available. Representatives of the national organisation and confederation of employers and labour, Government and other interests will be represented in the National Productivity Council which will have a membership of about 60.

The statement of principles for the productivity movement says that for increasing the national wealth and per capita income it is necessary to create among labour, management and the general public attitudes generally receptive to the idea of productivity, thus ensuring a favourable climate of opinion which would facilitate the introduction and application of modern techniques—social and technical—for raising productivity. There is no doubt that the principles and programmes of the productivity movement are laudable, but the success of it would depend on the co-operation it can obtain from labour. In order that the productivity drive might become quite effective, misconceptions in the minds of labour that the productivity drive leads to redundancy and unemployment, will have to be removed. They will have to be constantly convinced by effective publicity that the work study, the time and motion studies and similar other techniques involved in productivity result in less fatigue and improve their general well-being. At the same time specific measures to obviate the possibility of unemployment that may be caused by the introduction of better methods will have to be evolved.

IMPLICATIONS OF INDUSTRIAL ESTATES

THERE IS no gainsaying the fact that, in a rapidly developing and expanding economy such as ours, a very large field exists for the establishment of a number of small industries engaged in the efficient manufacture, on modern lines, of consumer goods or intermediate goods required by the bigger industries. Recognising this, doubtless, the second Five-Year Plan

has envisaged the establishment of 25 Industrial Estates for the whole country during the second Plan period. A noteworthy feature of these is that they are designed to cater to the needs of only those industrialists who cannot raise capital of more than Rs. 5 lakhs by providing them with factories and other ancillary facilities, such as power, water supply, etc. As Prime Minister Nehru emphasised whilst inaugurating the Industrial Estate, at Guindy, Madras, last week, such agencies are of immense help in providing modern techniques to those in charge of small industries. "If we want to industrialise", said the Prime Minister, "we will not industrialise by putting up a number of big plants, though these may be essential, but rather by bringing these modern techniques to a hundred and one small occupations and thus exchange the very basis of our methods of production and of making things". Provided these industries produce high quality and standardised goods, by taking to modern tools and equipment, they can be of immense assistance to the industrialisation of the country, particularly of the relatively more backward and underdeveloped areas.

The small industries to be established on Industrial Estates would commence with definite initial advantages, such as well-laid out factories, facilities of power supply, machinery and raw materials which are not so easily available to other industries, and, for this reason, these industries should prove to be more efficient and economical. In addition to these advantages, they would also have financial aid from various governmental institutions.

In Guindy, there is great scope for the manufacture of ceramic products, among others. For it is expected that the Neivelli Lignite Project, when completed, will provide large quantities of China-clay, a very important raw material for this industry. By reason of this and the other advantages which the Industrial Estate at Guindy would command, it should be possible for the South to blaze a new trail in yet another direction.

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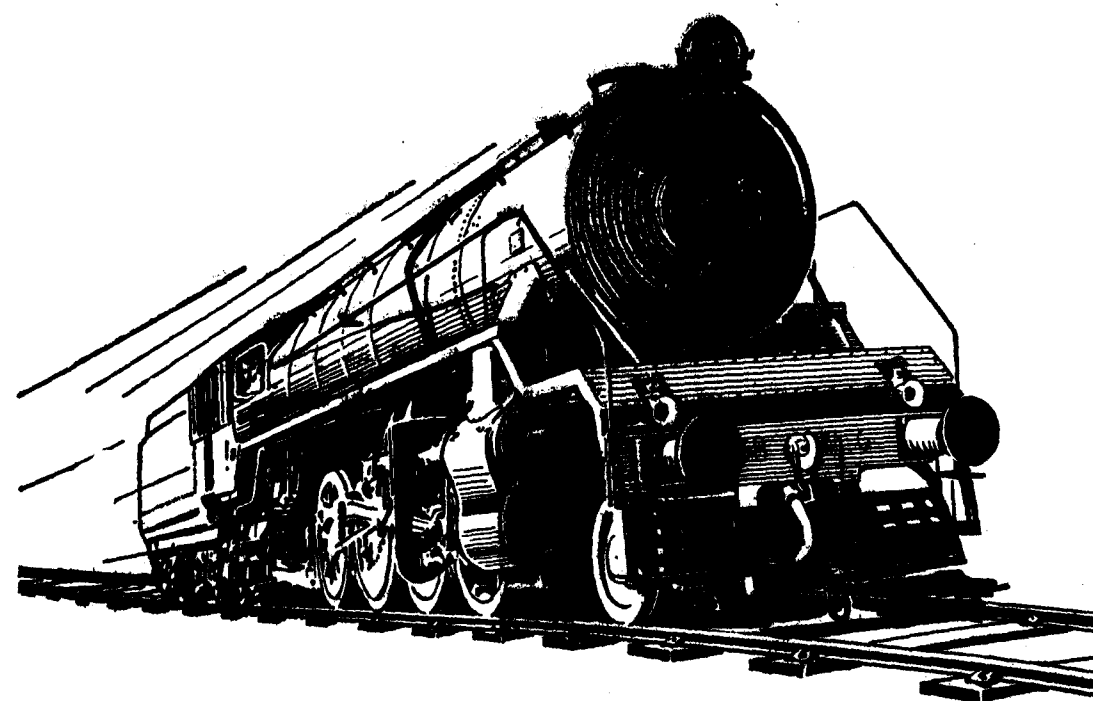
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PA 1655

COMPANY AFFAIRS

GWALIOR RAYON SILK MFG. (WVG.) CO., LTD.

The tenth annual Report of the Gwalior Rayon Silk Mfg. (Wvg.) Co., Ltd., that for the year ended March 31, 1957, confirms the opinion expressed in this Journal that it is not only the cotton mill industry that is suffering from heavy accumulation of cloth stocks, but the rayon and art silk industry—in this case, the staple fibre industry also—is experiencing similar conditions. However, in this case, the accumulation has been the result of not only the increase in excise duty but also the imports of staple fibre in huge quantities during the years 1956 and 1957. In consequence, the demand for the indigenous fibre was adversely affected and the result was huge accumulation of stocks with the factories. This explains why, despite the completion of the extension of the Nagda Staple Fibre Plant, raising its productive capacity to 40 tons of fibre per day, the factory had actually to curtail production to only 15 tons per day since October, 1957. It is, however, gratifying to note that consequent on the strong representations made to the Government about the plight of the industry, the Government stopped issuing import licences and removed the excise duty on yarn. The directors, however, feel that this is not adequate and have urged the Government to remove the excise duty on staple fibre also, inasmuch as this is as much a basic raw material as cotton.

Although, once again, the Company has passed the dividend, but for very good reasons, the results of working must be considered satisfactory, in that there was a profit of Rs. 97,42,484 after providing Rs. 1,38,931 for Managing Agency Commission. Adding to this amount the balance of Rs. 1,06,74,790 brought forward from the previous accounting period, the directors record the disposable amount to be Rs. 2,04,17,274. Out of this, the directors have appropriated Rs. 1,32,00,000, which is equal to the normal depreciation and extra shift allowance up to March 31 last, leaving a balance of Rs. 72,17,274, a figure lower than the previous year's carry over amount. In view of the position regarding adjustment for depreciation and development rebate, "which issue is still open and the matter is not yet finalised", the directors have thought it fit to set apart the sum indicated above. If and when, therefore, the Company succeeds in its contention that no depreciation should be calculated, noted and given effect to for purposes of tax, a greater part of this amount would become available for disposal. And, to this extent, the chances of the shareholders getting a dividend would become brighter. Explaining why a dividend could not be recommended, the directors state that they do not consider it desirable to do so but that they are watching the situation and that, as soon as conditions improve and it is felt advisable to recommend payment of dividend, they would do so.

As regards the future plans for expansion the directors state that "the erection of the second extension is now in progress and is expected to be completed by March next year." When this is done, and the existing stocks of staple fibre in this country are exhausted, the directors hope, the Nagda factory could go on full production at the rate of 55 tons per day. Meanwhile, the erection of the pilot plants for the manufacture of Rayon Grade Wood Pulp, Staple Fibre, Continuous Filament and Tyre Cord Yarns has been completed and experiments are now being carried out on these plants.

THE DELHI CLOTH AND GENERAL MILLS LTD.

There has been a steep fall in profits of the company for the year ended June 30, 1957, although the

production and sales of textiles were at peak level. After providing for all usual working expenses, Managing Agents' Commission, depreciation and taxation, the profit comes to Rs. 38,30,908 which is very low as against Rs. 94,81,303 during the previous year. The provision for Depreciation is Rs. 97,16,121 as against Rs. 73,67,327 during the previous year.

The Textile Mills of the Company located in Pakistan continue to show low profits. In India the textile industry had a year of strain and the company had the difficulty in selling and so it accumulated stocks. The fall in profits is mainly due to the heavy excise duty and reduction in purchasing power. The net profits have also gone down on account of higher provision which the Company had to make for higher Company taxation and Wealth tax. The working of the sugar factories, confectionery factory and the distillery has been satisfactory. The Chemical Industries have maintained a trend of improvement. The Vanaspati business of the Company continues to be uncertain due to considerable fluctuations in prices of oil.

The Company has decided to pay a Dividend on Ordinary Shares at the rate of 8 per cent per annum, free of income-tax, which will absorb Rs. 27,14,943. Dividend on 1st, 2nd, 3rd and 4th Cumulative Preference Shares will absorb another sum of Rs. 2,99,210. After providing for Rs. 47,874 for taxes on Dividend, the balance of Rs. 2,77,593, has been decided to be carried forward.

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Head Office : Delhi

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Chairman.
S. P. Jain

General Manager
A. M. Walker

COMMODITY NEWS AND NOTES

COAL OUTPUT DURING SEPTEMBER 1957

Coal output in India increased to 3,647,255 tons in September 1957 from 3,376,052 tons in the previous month, according to information received from the Chief Inspector of Mines in India. The total quantity despatched during September was 3,227,150 tons as against 3,239,085 tons in August. Coal stocks at pit-heads at the end of September amounted to 2,754,785 tons as compared with 2,733,839 tons at the beginning of the month. During September, 834 collieries were reported to be working with an average daily employment of 358,840 workers. Output per man-shift was estimated at 1.12 tons for miners and loaders, 0.60 ton for all workers underground and in open-workings and 0.41 ton for all persons employed including surface workers. The percentage of absenteeism was 12.84. Nine coke plants at collieries and elsewhere produced 382,999 tons of hard, soft and other kinds of coke, and despatched 212,704 tons during the month.

NEW VARIETY ADDED TO FOOD

Breakfast food, porridge or snacks for a common man in India will be made more delicious, nutritious and palatable in future with the use of the mango cereal flakes. The new product has been developed as a part of investigations on new economic uses for mango at the Central Food Technological Research Institute, Mysore. The product, which has an approximate composition — mango solids 49 per cent, wheat flour 23 per cent and added sugar 28 per cent — can also be used as thickener and flavouring material for ice creams. It has been found highly nutritious, containing among others, carotene, equivalent to about 3,500 I.U. of vitamin A per ounce. Mango Cereal Flakes have been found acceptable to all tastes and have appreciable possibilities for successful marketing at home and abroad. In hermetically sealed tins and glass containers, they have good preserving qualities. The method of preparation consists in cooking the wheat or corn flour to gelatinize the starch and destroy the enzymes. Mango pulp, partially neutralised and heated separately, is added to the cooked flour. Cooking is continued till a desired consistency is obtained. Sugar and other additives are then added, the mixture is made homogenous and dried into flakes on a suitable drum drier.

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General Manager: Mr. S. D. PARDIWALLA

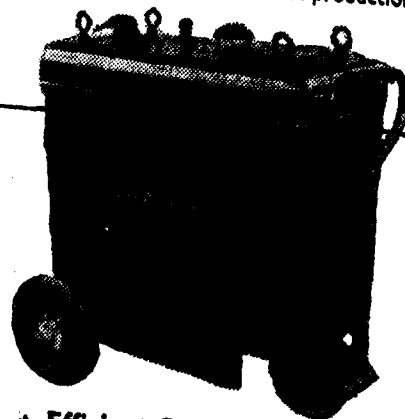
This product offers good means of utilizing not only large quantities of surplus fruit but also pulp obtained as a by-product in fruit canning. Production can be taken up independently, but preferably in conjunction with other lines of fruit processing. With some additional equipment, existing fruit and vegetable preservation factories can take up commercial production without much difficulty. Parties interested in undertaking the commercial development of the process are invited to correspond with the Secretary, National Research Development Corporation of India, Mandi House, Lytton Road, New Delhi.

INCREASE IN COAL OUTPUT DURING AUGUST 1957

Coal output in the country increased to 3,375,701 tons in August 1957 from 3,297,198 tons in the previous month, according to information received from the Chief Inspector of Mines in India. The total quantity despatched during August was 3,239,380 tons as compared with 3,044,779 tons in July. Coal stocks at pit-heads at the end of August amounted to 2,780,440 tons as against 3,074,761 tons at the beginning of the month. During August, 833 collieries were reported to be working with an average daily employment of 343,356 workers. Output per man-shift was estimated at 1.13 tons for miners and loaders, 0.60 ton for all workers underground and in open-workings and 0.40 ton for all persons employed including surface workers. The percentage of absenteeism was of 14.12. Nine coke plants at collieries and elsewhere produced 362,846 tons of hard, soft and other kinds of coke, and despatched 199,801 tons during the month.

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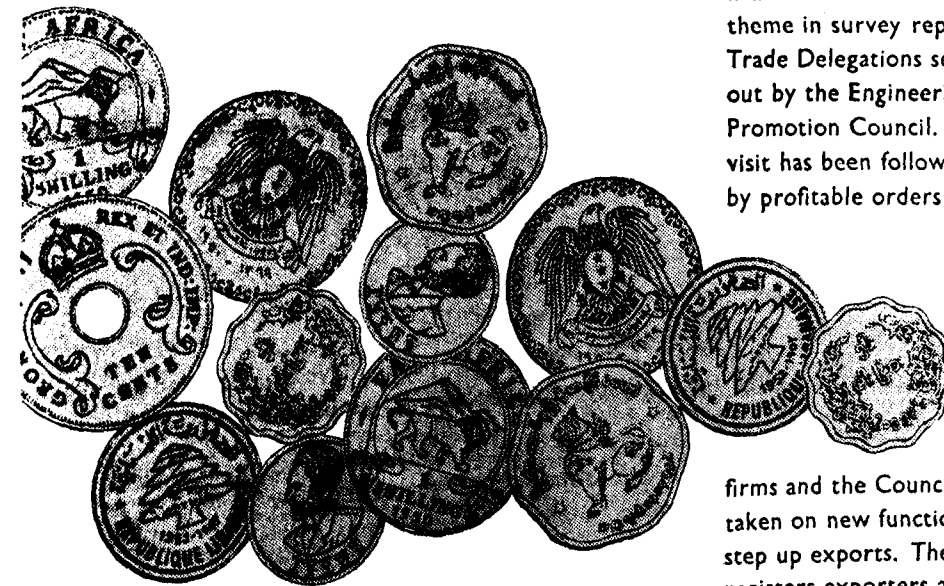
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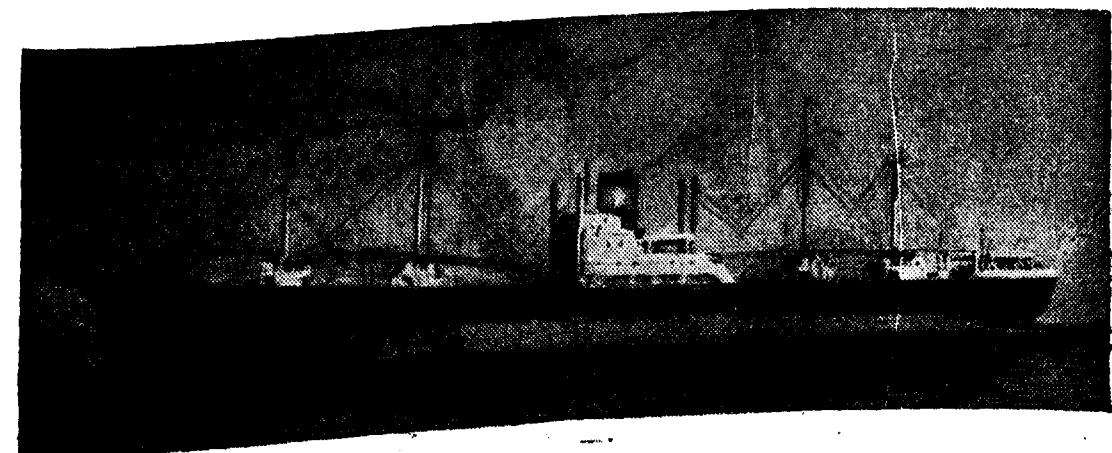
"Wherever we went, there was much goodwill for India. These countries are willing to do business with us"—this is the recurring theme in survey reports of Trade Delegations sent out by the Engineering Export Promotion Council. Every visit has been followed by profitable orders for Indian

firms and the Council has taken on new functions to step up exports. The Council registers exporters and their brands and recommends import of raw materials and replenishment of pig iron and steel used up in exports. Our activities are constantly widening. Many have profited by them and, may be, we can put some good business your way, too.



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EEPC-19



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CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

	Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
	Food Articles	Indus. Raw Matls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi Govt.	Debentures	Preference	V. D. I.
1947-48	306.3	377.5	261.6	286.4	456.2	308.2	...	...	...	...
1948-49	382.9	444.8	327.3	348.1	525.2	376.2	...	...	...	...
1949-50	391.3	471.7	331.6	347.2	570.7	385.4	...	...	...	...
1950-51	416.4	523.1	348.9	354.2	707.4	409.7	...	...	...	...
1951-52	398.6	591.9	374.4	401.5	721.6	434.6	...	...	...	...
1952-53	367.8	436.9	343.8	371.2	614.1	380.6	89.7	100.6	87.3	95.0
1953-54	384.4	467.7	359.2	367.4	686.6	397.5	89.8	100.7	88.4	113.0
1954-55	339.8	436.2	350.3	377.4	612.4	377.4	90.0	100.8	87.3	121.6
1955-56	313.2	419.8	338.2	372.9	546.4	360.4	90.0	100.1	82.9	121.2
1956-57	388.5	501.9	402.3	384.6	559.3	414.0	89.7	99.0	80.4	113.7
January 1957	392.1	525.0	412.4	387.4	592.7	422.3	89.8	99.0	79.8	113.6
February	406.0	520.5	410.6	385.5	585.2	425.0	90.0	99.0	78.6	106.9
March	402.7	518.1	403.3	384.1	569.6	421.3	89.9	99.0	78.6	106.9
April	408.3	514.7	400.0	384.3	567.1	422.1	89.9	99.1	78.4	104.5
May	419.3	536.3	406.5	387.7	572.3	431.2	89.5	99.0	77.6	102.6
June	433.2	541.4	413.0	392.4	578.0	439.2	89.2	98.7	76.7	105.5
July	439.8	544.4	413.3	392.3	637.1	443.5	89.0	98.8	75.6	103.1
August	440.9	530.6	411.2	392.7	644.0	435.9	89.0	98.0	74.0	98.3
September	424.1	525.3	409.1	394.7	645.9	432.8	89.1	97.7	73.6	97.4
October	412.1	534.3	406.1	394.5	660.6	434.7	89.1	97.6	72.5	98.7
November	419.5	535.2	406.7	391.0	660.6	425.0	89.1	97.8	72.8	96.6
December	406.3	508.2	400.1	388.9	677.4	428.2	89.1	97.3	72.0	95.9
12-12-1957	412.7	513.0	400.9	389.4	680.3	428.2	89.1	97.8	72.8	96.6
21-12-1957	402.8	508.7	398.3	388.6	677.0	423.4	89.1	97.3	72.0	95.9
28-12-1957	397.0	502.5	398.9	388.3	671.1	420.6	89.1	97.3	72.0	95.9

†Average of weeks.

Revised*

††Reserve Bank Series.

†Economic Adviser's Series.

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

Period	Bombay		Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India
	Bombay	Ahmedabad July 1927=100				Nagpur	Jubbulpur†				
1949 (Aug-Dec.)	103	—	132	339	471	104	146	106	168	136	134
1948	283	303	132	348	478	377	151	323	164	138	138
1949	292	307	132	349	434	372	153	325	165	145	139
1950	298	313	142	379	451	391	168	334	167	160	144
1951	314	330	143	351	441	380	150	330	161	154	141
1952	321	337	140	349	453	387	151	351	147	154	146
1953	346	363	140	327	408	373	139	341	148	140	138
1954	342	359	138	321	371	364	133	321	134	135	132
1955	323	338	130	321	371	364	133	321	134	135	132
1956	323	338	130	321	371	364	133	321	134	135	132
1957	336	352	142	347	424	397	151	356	152	146	145
1957 January	339	355	149	354	436	411	156	372	157	144	149
February	341	357	151	350	438	411	158	369	157	148	148
March	340	356	151	348	433	415	158	367	158	148	148
April	340	356	148	345	427	415	162	369	161	152	148
May	347	363	151	352	441	418	163	369	157	156	150
June	354	370	152	371	446	422	168	373	159	158	153
July	360	376	152	371	459	422	165	375	159	164	155
August	361	377	158	398	468	426	163	373	157	166	156
September	359	375	149	394	464	426	160	372	156	167	155
October	359	375	149	391	459	429	—	391	—	—	—
November	367	383	148	—	457	—	—	—	—	—	—

1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	10-1-1958			3-1-1958			27-12-1957			20-12-1957		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
	109.62	108.25	109.01	108.91	107.75	108.07	108.72	107.81	108.41	108.87	108.31	108.64
Gold (per fine tola)	109.62	108.25	109.01	108.91	107.75	108.07	108.72	107.81	108.41	108.87	108.31	108.64
Silver (per 100 fine tolas)	189.27	186.37	187.72	187.25	186.25	186.69	187.06	185.00	186.17	185.81	182.81	183.96

RESERVE BANK OF INDIA
ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS					
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities
1938-39*	182.36	28.28	210.64	44.42	66.95	111.37	52.91	67.11	32.16
1948-49*	1,231.84	22.02	1,253.86	42.49	907.47	949.96	75.43	42.96	265.62
	(5.58)	(—)	(5.58)					(90)	(5.58)
1949-50*	1,128.94	24.00	1,152.94	40.02	647.04	687.06	59.59	50.53	415.36
1950-51*	1,163.21	17.19	1,180.40	40.02	624.70	664.72	56.31	57.21	458.47
1951-52*	1,189.84	27.78	1,217.62	40.02	625.27	665.29	54.64	63.98	488.38
1952-53*	1,114.84	27.87	1,142.72	40.02	564.40	604.42	52.89	80.22	458.08
1953-54*	1,133.95	23.03	1,156.97	40.02	594.02	634.04	54.86	92.83	430.11
1954-55*	1,196.19	22.98	1,219.18	40.02	648.81	688.83	56.58	102.26	428.09
1955-56*	1,339.39	17.08	1,356.47	40.02	656.52	696.54	51.35	106.87	553.06
1956-57*	1,475.77	18.75	1,494.52	44.42	545.61	595.63	39.95	115.61	755.22
				(117.76)		(663.37)	(44.37)		
Average of Fridays	1,569.25	11.86	1,579.11	117.76	412.52	530.28	33.58	126.41	922.42
April 1957	1,582.22	17.53	1,599.75	117.76	412.52	530.28	33.35	125.60	943.87
May	1,567.48	29.03	1,596.51	117.76	412.52	530.28	33.28	125.17	941.06
June	1,527.79	34.84	1,562.62	117.76	406.52	524.28	33.55	127.54	910.81
July	1,495.65	30.71	1,526.37	117.76	369.52	487.28	31.92	131.22	907.67
August	1,477.66	36.41	1,514.07	117.76	338.60	456.36	30.14	133.82	923.89
September	1,487.74	26.43	1,514.17	117.76	317.92	435.68	28.78	133.92	944.57
October	1,481.61	32.86	1,514.47	117.76	293.14	410.90	27.13	134.22	969.35
November									
Week Ending									
1-11-1957	1,470.44	44.12	1,514.56	117.76	311.71	429.47	28.36	134.31	950.78
8-11-1957	1,490.98	22.45	1,513.43	117.76	301.77	419.53	27.72	133.18	960.71
15-11-1957	1,487.04	26.96	1,514.00	117.76	291.83	409.59	27.05	133.75	970.65
22-11-1957	1,489.90	34.07	1,524.97	117.76	280.19	397.95	26.27	134.72	982.29
29-11-1957	1,478.66	38.71	1,515.37	117.76	280.19	397.95	26.26	135.13	982.29

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS					TOTAL LIABILITIES & ASSETS**	ASSETS						
	Central Government	Other Governments	Banks	Others	Total		Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
1938-39*	14.90	16.19	75	31.84	128	43.12	28.38	1.53	4.21	1.72	2	6.36	90
1948-49*	222.17	16.93	80.53	56.52	303.72	419.05	22.12	4.28	307.78	1.71	3.34	75.65	4.14
	(14.33)	(3.04)								(1)			
1949-50*	141.19	23.12	67.00	64.39	295.69	321.45	24.12	4.30	280.91	3.35	8.39	960.54	4.34
1950-51*	148.60	17.71	62.22	62.29	290.82	318.97	17.31	3.04	107.70	2.37	6.77	76.72	5.06
1951-52*	181.30	15.95	58.68	69.22	325.15	353.77	27.92	6.31	187.14	5.90	19.42	95.19	11.91
1952-53*	136.40	7.79	52.89	61.93	259.02	292.71	28.03	6.64	133.56	2.85	19.03	89.77	13.63
1953-54*	105.44	23.40	46.52	57.45	232.80	266.72	23.22	9.46	123.31	1.78	19.84	81.58	7.61
1954-55*	89.13	20.66	55.20	36.29	201.28	234.90	23.24	6.10	87.53	1.14	26.55	80.52	9.82
1955-56*	60.11	19.85	53.77	18.31	152.04	197.64	17.21	9.78	66.96	1.73	36.99	49.38	15.61
1956-57*	57.52	14.10	52.46	19.73	143.81	246.92	18.91	5.69	64.77	4.89	85.34	57.82	18.60
Average of Fridays													
April 1957	54.61	5.37	67.33	74.63	201.91	150.10	362.01	11.99	14.03	102.31	16.46	101.37	102.55
May	52.89	4.38	63.37	83.53	204.18	152.64	366.82	17.67	4.45	64.50	18.91	111.31	136.35
June	53.09	3.29	71.77	42.40	240.55	153.86	404.41	29.16	3.82	46.96	24.53	98.02	186.36
July	53.64	2.79	86.56	149.28	292.27	120.01	422.28	34.97	3.10	29.21	26.99	74.82	241.04
August	65.46	7.39	90.60	126.86	290.31	121.20	421.51	30.84	3.38	20.94	31.46	81.90	244.50
September	51.52	7.96	101.67	110.31	271.46	124.16	405.61	36.49	5.99	27.33	42.90	68.80	211.07
October	51.93	7.91	98.04	112.25	269.12	131.59	410.71	26.53	3.04	18.34	49.26	72.21	223.35
November	52.89	8.94	104.79	110.91	277.53	133.06	420.59	33.00	2.28	24.37	41.23	58.22	244.15
Week Ending													
1-11-1957	53.81	9.60	108.77	111.36	283.54	133.34	426.89	44.25	3.59	16.07	49.51	63.08	230.76
8-11-1957	54.86	6.16	94.80	110.93	266.75	129.88	409.63	22.54	1.13	19.42	51.32	61.75	228.95
15-11-1957	51.63	8.19	102.15	111.00	272.97	134.88	417.85	27.11	1.3	24.37	48.56	59.24	239.91
22-11-1957	53.19	9.44	109.23	110.95	282.81	135.59	428.40	34.22	1.85	32.67	27.75	54.89	261.48
29-11-1957	50.94	11.31	109.02	110.31	281.58	132.63	424.21	36.89	1.11	29.80	29.01	52.13	259.68

Note: Figures in brackets relate to Pakistan. **Includes Rs. 5 crores each on account of capital paid-up and Reserve Fund. † Includes National Agricultural Credit (Long-term Operation) Fund of Rs. 10 crores from Feb. 3, 1956 and of Rs. 15 crores from July 6, 1956 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crores from July 6, 1956. * Average of Fridays. † Includes cash and short term securities. The gold reserves of Issue Department are revalued at Rs. 62.50 per tola from October 6, 1956.

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5+6) as percentage of (4)	Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Govt. Securities in India
	Demand	Time	Total (2+3)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1938-39*	123.81	103.30	227.11	6.38	15.88	9.80	111.34	460	51.05	—
1948-49	674.56	303.88	978.44	37.51	76.63	11.67	424.85	16.44	45.10	—
1949-50	597.79	272.59	870.38	34.47	65.85	11.53	426.74	15.35	50.79	—
1950-51	599.13	278.45	877.59	34.68	60.78	10.88	447.03	11.87	52.29	303.48
1951-52	593.73	290.82	884.55	37.33	57.29	10.70	523.59	22.81	63.06	306.34
1952-53	546.23	309.26	855.49	33.33	51.82	9.95	461.64	38.47	60.48	321.29
1953-54	526.75	328.26	855.00	31.97	44.48	8.98	442.79	51.40	59.56	339.74
1954-55	559.62	351.86	911.55	32.66	53.91	9.50	468.39	81.68	60.68	370.71
1955-56	608.64	407.98	1,016.62	34.64	52.52	8.69	514.37	118.08	63.02	359.35
1956-57	653.34	453.92	1,107.26	36.94	50.23	7.96	626.08	155.56	71.39	—
Average of Fridays										
June 1957	715.22	517.21	1,232.43	41.39	67.44	8.72	744.73	181.731	74.24	335.02
July	724.80	562.69	1,287.49	39.62	80.45	9.47	720.06	179.441	70.97	332.44
August	712.19	582.65	1,294.84	38.83	88.01	9.96	696.16	174.441	68.33	350.31
September	717.59	612.48	1,330.06	37.18	95.37	9.97	678.01	161.061	63.24	378.43
October	734.45	629.75	1,364.19	43.57	92.61	9.97	688.88	166.411	62.70	387.75
November	730.91	658.87	1,395.81	38.92	102.38	10.12	685.52	161.981	60.72	407.15
December	716.73	683.20	1,399.93	38.83	72.31	7.94	698.35	149.071	60.53	431.33
Week Ending										
29-11-1957	722.68	672.46	1,395.14	38.26	106.41	10.36	685.10	154.881	60.21	408.82
8-12-1957	714.21	678.55	1,392.76	39.31	77.65	8.39	690.04	152.471	60.49	427.69
15-12-1957	720.24	682.65	1,402.89	39.30	73.46	8.03	692.85	148.621	59.98	432.01
22-12-1957	714.47	684.06	1,398.53	37.87	70.51	7.75	698.48	149.191	60.61	432.65
27-12-1957	718.01	687.54	1,405.55	38.84	67.61	7.57	712.03	146.001	61.05	432.96

* Undivided India.

† Including foreign bills purchased and discounted.

MONEY SUPPLY IN INDIA

(Lakhs of rupees.)

Last Friday	Money supply with the public	Total currency with the public	Deposit money with the public			Total variations in money supply
			Total	Demand liabilities of banks	Other deposits with Reserve Bank†	
(1)	(2) = (3) + (4)	(3)	(4)	(5)	(6)	(7)
	1,764.71	1,199.25	565.46	548.95	16.51	-39.08
1952-53 ..	1,930.63	1,311.77	608.86	599.16	9.71	+126.65
1954-55 ..	2,184.82	1,505.09	679.23	667.22	12.01	+263.69
1955-56 ..	2,312.89	1,556.50	756.39	744.74	11.65	+128.67
1956-57 ..			689.45	677.99	11.46	+28.46
	2,151.46	1,462.01	693.31	681.35	11.96	+27.19
November 1956 ..	2,178.65	1,485.34				
December ..		1,509.90	711.57	724.46	10.77	+42.82
	2,220.47	1,528.31	736.24	744.74	11.78	+43.08
January 1957 ..	2,264.55	1,556.50	756.39	763.43	11.65	+48.34
February ..	2,312.89	1,586.44	775.93	762.01	12.51	+49.48
March ..	2,362.87	1,596.43	785.55	772.79	23.55	+19.62
April ..	2,381.99	1,562.85	781.19	768.65	22.64	-37.95
May ..	2,344.04	1,522.11	785.30	763.41	21.89	-36.63
June ..	2,307.41	1,490.78	747.14	735.72	11.42	-69.49
July ..	2,287.92	1,491.00	742.79	729.99	12.81	-4.13
August ..	2,233.79	1,497.00*	786.73*	722.16*	14.66	+49.94*
September ..	2,283.73*	1,498.23*	754.25*	741.13*	13.12	-31.26*
October ..	2,252.47*					
November ..						

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L. 55

The Eastern Economist

VOL. XXX. NO. 4.

NEW DELHI: JANUARY 24, 1958.

ONE RUPEE

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After Gauhati

THERE was no visible silver lining in the cloud of controversy over the issue of Union language as the Congress delegates were assembling at Gauhati for their annual conference. By adopting a mildly-worded resolution, although it could be construed as a compromise, the Congress produced what seemed, on the face of it, to be a silver lining in the cloud and took the wind, for the nonce, out of the sails of both anti-Hindi and pro-English enthusiasts. That, perhaps, was the only merit the resolution had — the merit of not having to face the issue squarely in the immediate. Any discerning observer could thus have easily seen that the resolution was, by itself, no solution of one of the most vital and knotty problems in the second decade of India independence.

The main implication of the resolution, it would appear, is that the 1965 deadline laid down in the Constitution is something sacrosanct that cannot be challenged. If this is the right implication, it should be amazing in the context of the liberal use that has been made of the provisions for amendment of the Constitution in a period of five or six years from the time it was promulgated. So, it is not as if the constitutional provision in the matter of change-over to Hindi stands in the way of a change in the deadline in deference to the wishes of non-Hindi groups. At best it can only be a convenient excuse for not doing something which, by implication again, is deemed necessary insofar as the resolution provides for the continuance of English, alongside of Hindi, after 1965. It would be much too facile to assume that where

there is no disposition to allay the just fears of non-Hindi groups by a straight promise to amend the Constitution in the matter of deadline, there would be any very great prospect of retention of English for any long period after 1965. At best this period during which English is to be retained (to make up for the 1950-57 period which, for a variety of reasons, was practically not used for preparatory steps) may cover seven years — just sufficient, perhaps, to complete the change-over in particular spheres and necessary, too, on the score of practical considerations. In any case, this is no new concession for Art. 343(3) of the Constitution itself has laid down that Parliament may by law provide for the use, after 1965, of the English language for such purposes as may be specified in the law.

If practical considerations demand the continuance of English, alongside of Hindi, for a little longer than 1965, it would mean that such a short period would be sufficient for completing the change-over. This can only be a matter of opinion. Although the demand of non-Hindi groups that an extended deadline, say, upto 1990 would be necessary before a total change-over to Hindi could be effected can also be called a matter of opinion, it has at least the superior merit that the enormous practical difficulties of transition — difficulties recognised in the Report of the Kher Commission itself — are considered sufficient justification for a slower but steadier and more cautious pace. It would be well to distinguish here the opposition of those who demand an extended deadline for practical reasons from that of those who are totally against Hindi as a permanent official language. The former probably represent an overwhelming majority of the non-Hindi majority and cannot, by any stretch of imagination, be accused of challenging "the basis as laid down in the Constitution". At the same time, the prevailing "general consensus of opinion" in favour of Hindi cannot also be interpreted to mean that non-Hindi groups would cheerfully agree to be fitted to the Procrustean bed of an impractical constitutional deadline. Where, thus, there is no general consensus of opinion in favour of the 1965 deadline, the question whether or not there should be a longer and more practical period of transition might ultimately have to be decided, not by a small group of parliamentarians as at the time of constitution-making when the 1965 deadline was hurriedly settled on the strength of a "general consensus of opinion" in favour of Hindi, but by the non-Hindi people themselves in a referendum confined to them. Even a general election in which the issue could be placed in the forefront may not be a good enough substitute for the reason that it would probably, in a number of States, go against the Congress — the only national organisation which is rightly expected to hold the country together. Failing agreement on the question of extending the deadline, only a referendum could conceivably enable the Congress to beat a democratic retreat in the matter of its language policy without having to face defeat at the polls in several States.

If the Gauhati Congress has missed the logic of reason as well as of reality and failed to give a clear lead in the matter of official language, it has at least taken a more realistic stand insofar as problems of food and agriculture are concerned. The resolution on economic situation, it is gratifying to see, has dealt with these problems in a manner that augurs well for the short-term,

that is, the remaining three years of the second Plan. The greater emphasis, this time, on repair of old tanks and wells and construction of new ones and on production and use of green manures is so agreeably in accord with the case argued out for them in a leading article in last week's issue that it does not call for any further comment here. At the same time, the emphasis on major irrigation is rightly limited to ensuring fuller utilisation of the irrigation potential already created. Here, of course, any rapid progress in the direction of making distributaries and field irrigation channels or of draining water-logged lands in the next three years cannot be taken for granted. Even if these things are done expeditiously, the agriculturists may yet be slow, for obvious reasons of financial incapacity, in the matter of making dry lands suitable for wet cultivation. The incentive that is expected to be provided by lower water rates, whether under major or under medium (tube-well) irrigation, may not, by itself, ensure fuller utilisation of available water in the absence of simultaneous progress in other related directions.

Some of the other measures suggested in the resolution—such as reservation, in every community block, of an area for producing better seeds and encouragement to greater production of short-term crops—are eminently practical short-term propositions meriting an immediate administrative follow-up. Some other suggested measures—such as prevention of soil erosion by bunding and afforestation, treatment of usar and saline lands so as to make them suitable for cultivation, fixing a target of production for the individual farmer, and attempts to develop substitute foods and encourage balanced diets—are, on the other hand, essentially long-term propositions and would have to be treated as such if resources and administrative action are not to be spread over wide fields but are to be concentrated at those points where they could produce the best results in the short-run. In the present state of the second Plan, it needs to be emphasised again and again that the short-term aspect of food production is no less important than the long-term.

It is not inconceivable that, if the favourable turn on the food production front in the last three years of the first Plan induced a sense of complacency at the time the second Plan was drawn up, the current easy availability of surplus food grains from the United States may induce a mood of slackness insofar as internal production effort in the short run is concerned. With acreage and output restrictions under way in the United States, her food surplus problem will have been nearly liquidated in the next two or three years and, so, the continued availability of food grains on credit for any length of time cannot be taken for granted. Importing food, whether on credit or for cash, may be allright at a time of emergency. But this state of emergency cannot be allowed to become chronic for, then, there is the grave risk that large-scale imports could be had only for cash in which case the drain on foreign exchange will be far too heavy for this country. That food self-sufficiency must be attained by the end of the second Plan is thus no tall order. What is more necessary to recognise is that the food shortage problem can be liquidated in the next three years by a determined and concerted effort to increase domestic production. As the will for it appears to be there, there is also the way.

Retreat From Socialism?

THE comprehensive resolution on economic situation adopted at the sixty-third session of the Indian National Congress was refreshingly realistic in character. Indeed it would have lost its appeal if it had missed the central emphasis on the critical problems of the day. These problems raise issues of no ordinary dimensions. They are problems which call for positive action with a determination not to yield ground under pressure of adverse elements in the situation—elements which spring from natural calamities or our own deficiencies. The situation can be met in one way and one way only. Greater production, and still more production, is the real answer to it. First emphasis in production has per force to be placed on agriculture which has so ironically exposed the precarious equilibrium in our internal resources. But production in other segments of the economy demands no lesser emphasis. The resolution addresses itself essentially to the tasks which throw up a challenge for action.

The present is no occasion for a leisurely debate on ultimate goals of economic policy. Not that these objectives are of minor importance in the scale of things. But the urgency with which the situation is informed demands a severely practical approach to the solutions we seek. This contingency explains the superfluity of any deliberate reiteration of the goal of the socialistic pattern of society in the body of the resolution. Because it deals in substance with the economic situation it advisedly refrains from importing any element of digression from the stark reality of the problems posed for the immediate future. Howevermuch this fundamental aspect of the resolution could be stressed, a brief discussion on socialism as the ideal of policy and the current Congress position in relation to it had to be entertained for the simple reason that the criticisms levelled against the organization could not be allowed to pass unanswered. It devolved on the Prime Minister and Mr. Krishnamachari to expound the position as it stands in the present context.

What really is the substance in the charge that the Congress has retraced its steps and is beating a retreat from socialism? Has there been a reversal in policy — surreptitious, as implied by the critics—in the short period between the Avadi Session of the Congress and now? Mr. N. V. Gadgil who earned the distinction of propounding this "thesis" at Gauhati and Mr. Sanyal who spoke with considerable emotion on inequalities did not think it necessary to order precision in the discussion by focussing argument on specific issues of policy and its implementation. Nevertheless, their criticisms, couched in the language of vague observations, had to be met and were met with reference to the policies which the Government has found it feasible to pursue. What transpires from the tone of the speeches on the resolution seems to indicate that these critics are not happy over the so-called concentration of wealth in the hands of limited numbers and the absence of any radical measures to change the social and economic order.

It is not merely impatience with the pace of events that seems to be lurking behind their mood of dissatisfaction. There seems a basic confusion

of thought on their part in regard to the real pattern of socialism to which the Congress stands committed. It is the liberal pattern of democratic socialism which the Congress has elected to adopt. It is a grievous error to presume that it implies a rigid model which refuses to take cognizance of the historical background of our society. It is a more serious error to suppose that its realisation can be accelerated by imposed measures of governmental policy. If there is any basic social value which the Congress is pledged to preserve more than any other, it is the right of the individual to exist as a free unit of society. The preservation of the personal freedom of the individual can admit of no compromise. Every other consideration, and in particular the speed with which change in social and economic institutions is to be achieved, is unquestionably of subordinate significance.

The Gauhati resolution on the economic situation endorses the new direction which the budget proposals of May 1957 have given to the structure of taxation. These Kaldorian proposals make no secret of the redistributive purpose of taxation. It is certainly misleading to talk, as the critics have done, of concessions having been granted to the higher income groups in the matter of income-tax. These seeming concessions have been countered by a series of new levies on wealth. The wealth tax, the expenditure tax and the estate duty imposed earlier are by no stretch of reasoning instruments to make the rich richer. In the hunt for redistribution through taxation, corporate taxes have been bracketed with personal taxes and despite timely warnings avoidable harm has been allowed to impair the springs of investment without which development cannot make headway. It is really time to pause and consider in all earnestness whether this lopsided emphasis on the socialistic function of taxation does not need to be rectified.

If levelling down is a weapon of eliminating inequalities in incomes, the Congress certainly does not swear by this brand of socialism. It stands for higher standards of prosperity for the masses and equitable distribution on wealth through equality of opportunity. Ceiling in personal income is a negative and destructive approach which it has firmly refused to countenance. It needs a greater display of faith to safeguard incentives for production which alone, in the final analysis, can create conditions for a healthy society. It is only in such conditions that real economic growth can be promoted and disparities eliminated for the realisation of the pattern of society it envisages. The present crisis in the economic situation should cause genuine thinking whether a pragmatic approach is not all the more necessary as a means to achieving the end in a peaceful manner. To interpret such an approach as a retreat is a total misnomer. Because this is so, one can wonder whether an expression of such a view either at home or abroad deserved the very powerful attention that was placed upon it in the Prime Minister's speech. It is not the fear of being pragmatic—including the reassessment of what constitutes socialism in India—which should get us down. It is the fear of becoming wooden that is the real danger; and slogans are wooden things.

The Problem of Uttar Pradesh

IN at least two States of the Indian Union which often hit the headlines in the Press — Kerala and Uttar Pradesh — considerable political colour has tended to obscure economic realities. Whether it is Communist-dominated Kerala or Congress-dominated Uttar Pradesh, what will be of ultimate significance from the point of view of stability is economics and not politics. So far as Kerala is concerned, the patent facts are her plantations and her dependence on the exports derived from these and anything that goes to jeopardise her position here will only result in causing damage to her entire economy. In the case of Uttar Pradesh, it is her industrial backwardness and the enormous leeway she has to make in this respect. This has often not received the attention due to it because of various factors that have tended to give a deceptive appearance of a prosperous State. Its massive size, its enormous population, its importance in the political set-up due to her geography and history and above all its value as a reservoir for the supply of the country's top political leadership — the latest example being the speculations over Dr. Sampurnanand being drafted to the Centre — all these have contributed to give it a semblance of an advanced State *vis-a-vis* the other States. The not infrequent political controversies engendered by group rivalries in State politics have only had the further effect of distracting attention thus covering the essential weaknesses of her economy and lack of sustained effort to meet them by the Government.

The report of the Fact Finding Committee appointed by the State Government to explore the possibilities of initiating large-scale industries in the State — now known as the Birla Committee — which came towards the end of 1965 did a signal service by spotlighting the real state of affairs. It showed that Uttar Pradesh is far less developed than other States and it is only by planned effort that she can raise herself to reach even all-India standards which are by no means high. The larger proportion of people dependent on agriculture, the lesser ratio of employment in organised industries compared to certain advanced States like Bombay and West Bengal, the adverse man-land ratio and the lower *per capita* income are sufficient proof of her industrial backwardness. The proportion of the population in production, transport and commerce thus accounts for only 14 per cent of the population in Uttar Pradesh while inclusive of the services and miscellaneous sources it is 26 per cent whereas in the case of West Bengal, 43 per cent of the population is engaged in non-agricultural occupations and in Bombay the percentage is 39. With such a pattern of distribution of population exercising a pressure on land whose fertile area is small in relation to the population the only alternative means of finding livelihood for the people is by extensive industrialisation on a dispersal basis.

Recent discussions of the State Government representatives with the Planning Commission with regard to expenditure on developmental outlay for 1958-59 only underline the need for Government taking steps for stimulating industrial development. The inclusion of the Rihand dam project in the core of the second Plan, which ensures its execution during the current plan period, has no doubt caused some satisfaction. But it must be remembered that the *per capita* consumption of electricity in Uttar Pradesh is the lowest in India next only to Andhra. As against 62 units in Bombay and 61 units in West

Bengal, it is only 8.1 units in Uttar Pradesh and 5 units in Andhra. The Rihand project, however, is only a continuation from the first Plan and the State has failed to attract any new major power generation schemes in the public sector from the Central outlay. The Government must, therefore, re-examine its own electricity development policy, and take steps on a long-term basis for developing hydel power from the Ganges *since* without plenty of power the industrial development of the State cannot proceed fast.

The Birla Committee in its report had examined the various obstacles in the way of industrial progress in the State like scarcity of capital, taxation measures and labour problems and suggested possible lines of reform to remove several of the difficulties. But the fact that investment in the private sector has so far been less in the State than in the other big States is eloquent testimony that the proper atmosphere has not been created for encouraging private capital. When the report was published, it was contended in some sections that it was loaded in favour of the private sector and perhaps because of this no serious effort has been made to implement many of the recommendations of the Committee which were ostensibly sound. Fortunately recent events have given a new emphasis to Government's policy towards the private sector. With the hands of the Central Government more than full in fostering and developing basic and heavy industry and the State Governments preoccupied with small-scale and cottage industries, it is only the path of prudence that private enterprise must be given ample scope for developing factory industry in the field left free in the Plan for diversifying the economy as well as providing adequate employment opportunities.

It is in this context that the report about the success of the U.P. mission to Delhi in striking working arrangement with the Centre about several major industrial projects outside the official Plan gains importance. The total outlay of the State Plan, it should be remembered, is of the order of Rs. 253 crores of which Industry and Transport form only 13.2 per cent. The Birla Committee estimated that on the basis of the needs of the State, a minimum investment of Rs. 100 crores in new industries should be attempted covering from cotton textiles to engineering industries and industrial machinery. Recently it was announced that Government had granted licences for the establishment of 29 factories in the private sector, but a trend of considerable significance is the report that three important projects are to be located in the private sector, an aluminium factory near the Rihand dam site, a heavy electrical machinery plant at Allahabad, and a heavy chemical factory at Banaras. What is of special noteworthiness is the fact that the Planning Commission has agreed to transfer the aluminium factory from the public to the private sector. This seems to go in line with the recent shift in policy with regard to the setting up of fertiliser projects in the private sector, again characteristic of the new pragmatism in Government's industrial policy. It is obvious that there is little chance of either Uttar Pradesh or for that matter any other industrially backward State making up its leeway if a sound and dynamic policy based on proper inventory of resources, good blueprints, worthy projects and pragmatic considerations is not followed.

THE WEEK'S NOTES

MARSHAL BULGANIN'S DOVE BASKET

MARSHAL BULGANIN seems once again to have seized the diplomatic initiative. He has written letters to 19 Heads of Governments suggesting a Summit Conference. Besides the countries of the North Atlantic Treaty Organization and the Warsaw Pact, he has included within the range of his missives India, Egypt and Yugoslavia. For the first time, he also made, comparatively speaking, a series of definite proposals for easing world tension. He suggests, among other things, an immediate cessation of hydrogen and atomic tests for a period of two to three years; a pledge "by all the Powers possessing atomic and hydrogen weapons" to renounce their use; establishment of an "atom-free" zone in Central Europe; a non-aggression treaty between the NATO countries and those of the Warsaw Pact as well as reduction in the number of foreign forces stationed in those countries; establishment of control posts to guard against surprise attack and a zone, extending 500 miles on either side of the Iron Curtain, for aerial photographic inspection; and measures to stop war propaganda and to reduce tension in the Middle East.

Not unexpectedly, Mr. Dulles has described the Russian proposals as "utterly barren" and "propagandistic". This is, in part, obvious from the Russian suggestion to invite such a large number of countries to the proposed Summit Conference. Their crowded presence, with all the bickering that would necessarily follow, diverse opinions, interests, and ways of thinking, would, on the one hand, reduce the capacity of the conference to execute real business, and, on the other, provide a handle to the Russian delegation to enlarge on its pet panaceas. It is also true that the most of the Russian proposals are patent and familiar. Nevertheless, it may not be right to reject them outright. The rejection would, very probably, be taken to mean that the West was still helplessly floundering for a workable policy.

This is, of course, not a plea to rush headlong into a Summit Conference. What is suggested here is more or less an informal meeting—weighty and unhindered by detailed counter-proposals—and concentration on some specific issues like re-unification of Germany, acceptance of the Polish suggestion for the creation of an "atom-free" zone as a basis for discussion and embargo on the supply of arms to the Middle Eastern countries. It is hardly necessary to state that the conference would be best conducted 'in camera'. All these problems may well be solved in view of the inter-continental ballistic missile. East Germany has obviously lost its previous strategic importance for Russia. In fact, it is, at present, an economic and political liability for Russia because of its restive population. The West need not worry about the possible subversion of a re-united Germany. West Germany has practically demonstrated the superiority of its economic system. Moreover, assuming the worst, Russia remains as vulnerable to Western atomic attack as before. The Polish suggestion of an "atom-free" zone also may well be regarded as an extension of the neutrality of Austria to which all have agreed without much haggling. And the proposal for an embargo on arms deliveries to the Middle Eastern countries would show the real intentions of the two Power blocs. Surely, there is a case for enlarging the area of disengagement, in Mr. George Kennan's phrase.

U.S. PRESIDENT'S REPORT

IN TWO respects, President Eisenhower has given a courageous lead in the Economic report submitted to Congress. Although it was expected that the President would strike an optimistic note about the long-term

prospects of the U.S. economy and scotch fears of any recession as was evident even from the Budget message, it must be quite reassuring to hear his categorical declaration that there were "good reasons for confidence that a vigorous expansion of our economy can be sustained over the years". Apart from others, the main grounds of optimism for an upswing in the U.S. economy are the higher expenditure on the missiles programme and State expenditure to offset to some extent the decline in investment outlay. The statement of the Secretary of the Treasury that the Administration would consider lowering taxes to stimulate business and consumer spending should also go a long way in giving a fillip to the restoration of business confidence. Coupled with the report of optimistic statements of the building industry about the effects of easier finance and the 1 per cent rise in seasonally adjusted Christmas sales, it is evident that there are signs of improvement in the U.S. business outlook. Taken together all these warrant the conclusion that the President has clearly laid down expansion as the aim of U.S. official policy. One thing of particular relevance for all countries, however, is the fact that even in the middle of a recession, the President has stood stoutly against any wage increases unjustified by increased productivity as seen from his warning that "unjustified wage increases meant higher prices and retarded economic growth."

Of far greater importance is the President's plea for acceptance of his foreign economic and trade policies as one means of stimulating the economic growth of the United States. Though the President has just asked for an increase of \$179 million on the present figure of \$606 million, it is common knowledge that this proposal will encounter stiff opposition from Congress, because though it may be quite agreeable to appropriate readily money for all the defence projects, it may not show the same pliability in giving help to Asian countries or help fostering reciprocal trade. Here, however, the President has shown great courage in urging Congress to give foreign nations greater opportunities to earn dollars through an expansion of trade with the United States because "a continued rise in the outflow of dollar payments would make for a mutually reinforcing economic expansion here and abroad." Of special significance is the President's appeal to take a series of measures to help developing nations "to strengthen their confidence in the possibilities of economic growth under free institutions." It is a matter for pride that the United States has played a significant role in strengthening national economies abroad by the assistance she has given in various forms and especially the great assistance rendered by the large number of agreements under Public Law 480 to benefit underdeveloped countries. It is to be fervently hoped that consistent with the role that the United States has played in the preservation of democratic liberties, the President's proposal for appropriate aid to foreign countries will not fail to evoke suitable response from Congress though it is quite understandable that American opinion is at present rather apprehensive about spending enormous sums beyond the present budget.

THE YUGOSLAV PLAN

SOME AUTHORITATIVE information is now available on Yugoslavia's Plan covering the period from 1957 to 1961. There is a deal of significance which attaches to this Plan because, in several ways, it is different from the usual Plans of other Communist countries. The emphasis in this Plan is on further development of agricultural production for ensuring a steady development of the economy. Considering that only a far slower rate of growth is generally possible in agri-

culture than in industry in any country, it is not surprising that Yugoslavia has planned for an increase of 43 per cent in agricultural output by 1961 as against an increase of 68 per cent in industrial output. But it is noteworthy that this structure of planned development of the two sectors is far more balanced than in the case of other Communist countries insofar as the annual rate of agricultural growth visualised is as much as 7.4 per cent against an annual rate of industrial growth of 11 per cent. If achievement should happen to correspond to the respective agricultural and industrial targets, this will be pretty good performance in balanced economic development.

It is, again, noteworthy that the Plan has allotted 25 per cent of its total investment in basic funds to agricultural development as against 8 per cent or so in the period 1952-56. Thus it can be easily seen that increased agricultural production will be the biggest single factor contributing to a steady increase of over-all production. The estimate is that gross national product will increase at an annual rate of 9.5 per cent in the 1957-61 period as compared to 4.9 per cent in the 1952-56 period while national income will increase at a rate of 9.1 per cent per annum in 1957-61 as against 4.1 per cent in 1952-56. This is a significant pattern of progress — significant in the sense that it is sought to be brought about by a wholesome re-emphasis on agriculture just as is probably taking place or being considered in this country too.

A DAMNING DOCUMENT

MR. JUSTICE CAPOOR'S report on the lathi charge on the Hindi Samiti satyagrahis, in the Ferozepur Central Jail, on August 24 last year, makes dismal reading. Not only does it tear to shreds the official version of the disgraceful incident, it also shows that the force actually used "exceeded beyond all proportion the requirements of the situation" and that "the magnitude of the beating given... was probably unprecedented in the annals of the history of the jails in the Punjab". There is "incontrovertible evidence", the report further says, that the undertrials were beaten up inside their barracks, even in the bath and latrines. "Taken as a whole the object was not to quell any disturbance but to administer beating to the undertrials in general regardless of what they were doing or of their physical condition and with any weapons that came to hand." This inhuman and disgraceful episode, the report concludes, was due to a combination of "turbid elements from above, and turbid elements from below."

This conclusion is based on some indubitable facts. In the first place, the authorities wantonly let loose, the convict "lambardars" against the jail rules, to indulge in an orgy of ruthless beating up of defenceless prisoners; secondly, the studied and indefensible fabrication of the nature and sequence of the events by the State Government in its official version and its attempt later to conceal the identity of persons who were responsible for the criminal attack; and thirdly, the delay in the publication of Mr. Justice Capoor's report and the apparent unwillingness of the State Government to take effective action against the guilty officers.

The matter is obviously far too serious to be left to a departmental investigation or a partial probe as has been done by the State Government. Nothing short of a thorough investigation will remove popular grievance. The Capoor report, therefore, should be followed by an extensive inquiry to uncover those guilty.

Also deterrent measures are needed to prevent recurrence of such ugly happenings in the Punjab and elsewhere. Any other course will further condemn the Punjab Government in the eyes of the people it claims to represent, especially when its members swear by non-violence and truth, and claim to practise democracy.

The Punjab Government cannot escape responsibility in the matter by seeking scapegoats in bungling bureaucrats. In a parliamentary democracy the Ministry is responsible for all the lapses of permanent officials who execute the policy laid down by it. Whoever was the Minister of Jails at the time this savagery was perpetrated on the defenceless undertrials ought to have resigned. In any case, it is not too late even now. Amends can still be made. After all, when a Union Railway Minister could resign following a train accident, there is apparently no reason why a State Minister should continue in office especially after such a damning report by an unimpeachable authority.

OVERAMBITIOUS AND IMPRACTICABLE

TO THE existing plethora of committees, commissions and councils on different aspects of education, the Union Ministry of Education has now added one more. It has set up an All-India Council of Elementary Education. The Council is charged with preparing a programme for the expansion and improvement of elementary education and "to accelerate (its) pace of expansion" for fulfilling the directive of Article 45 of the Constitution. Mr. C. D. Deshmukh, Chairman of the University Grants Commission, had announced earlier that the age limit of 14, up to which there is constitutional obligation upon the States for compulsory education, might before long be raised to 17.

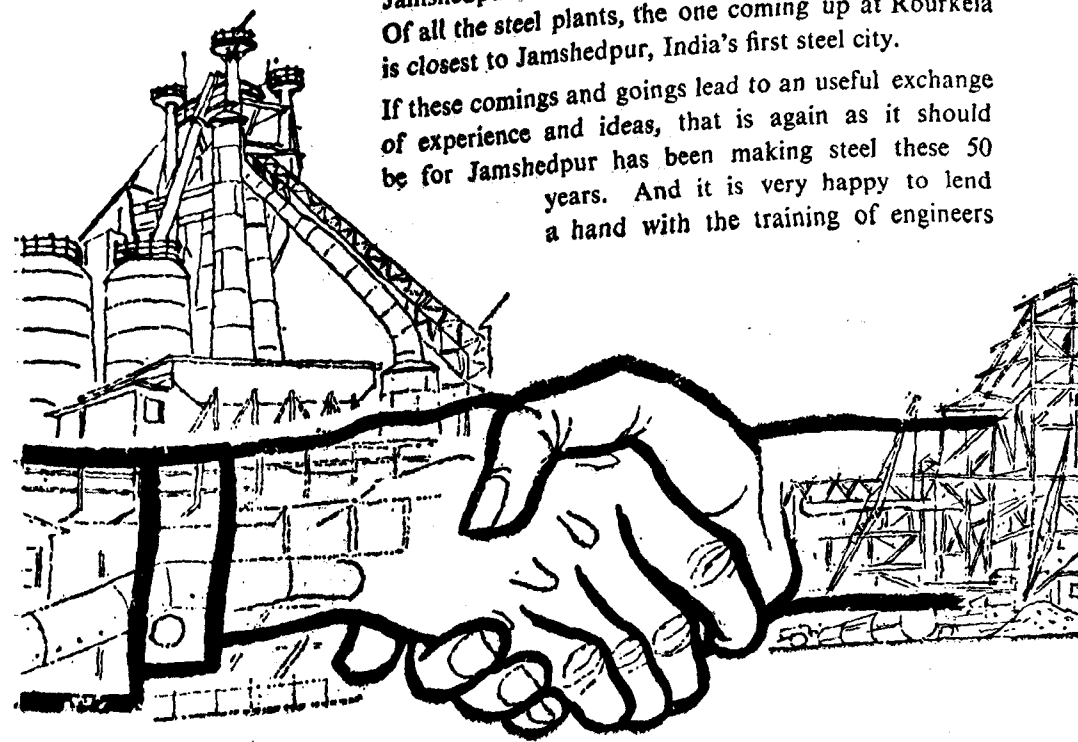
Both the proposals are as ambitious as they are impracticable. For instance, the creation of a council of elementary education is hardly comprehensible because the introduction and expansion of primary education is not such a novel idea as to need, the drawing up of a plan at this late hour, with the help and advice of an august body, consisting of all the Directors of Education. Similarly, Mr. Deshmukh's proposal is not rooted in reality. It does not seem to take into consideration the paucity of funds, the shortage of trained teachers and the scarcity of suitable literature. These have, in the past, frustrated all efforts to fulfil the constitutional obligation. The enormity of the task that will face the Government, when the age-limit is raised to 17, can easily be imagined.

Moreover, it is unwise to think of or draw up ambitious schemes when the general level of the salaries of teachers is scandalously low. Sometimes a peon in an office gets better salary than a teacher in a primary school. The position in the Government-aided and private schools is still worse. For there, added to the inadequacy of remuneration, is the irregularity in payment. There have been instances of teachers not receiving their dues for as many as 17 months at a stretch. And there is no security of tenure either. Provident Funds are an exception rather than the rule. Discontented with their lot, teachers in Delhi and Calcutta have, of late, been threatening to go on strike. However, regrettable the threat, the general public cannot help sympathising with them. In view of these facts, it would be more advisable to improve the status and position of the teachers and consolidate the "gains" of old schemes rather than embark upon unrealistic schemes.

From a Neighbour

If there is a lot of comings and goings between Jamshedpur and Rourkela, that is only as it should be. Of all the steel plants, the one coming up at Rourkela is closest to Jamshedpur, India's first steel city.

If these comings and goings lead to an useful exchange of experience and ideas, that is again as it should be for Jamshedpur has been making steel these 50 years. And it is very happy to lend a hand with the training of engineers

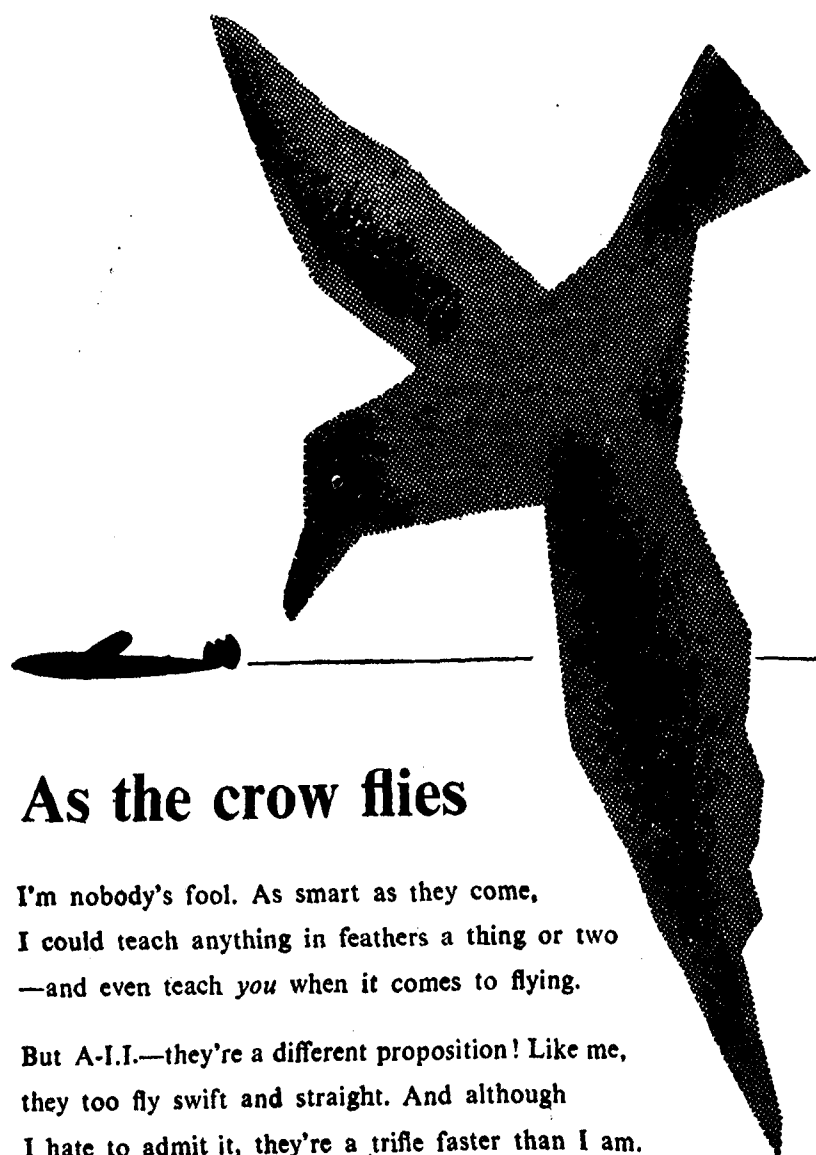


Good Wishes
to Rourkela

and technicians for Rourkela. There are nearly 150 of them at Jamshedpur—from key personnel to artisans.

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A Window on the World

SHOULD BRITAIN QUIT THE STERLING AREA?

By
ODYSSEUS

DOES THE COST of acting as banker to the sterling area outweigh the financial, or other, advantages to the UK?

This is the question that for some weeks past has been the subject of a grand debate in the BBC Third Programme and in the British financial and economic press, on such a scale that only the high lights can be summarised here. The topic was touched off by Mr. A. C. L. Day's broadcast "What Price the Sterling Area?" (See 'The Listener', November 21, 1957), in which Mr. Day advocated that the UK should cease to act as the sterling area's banker, should accumulate only sufficient reserves to look after its own balance of payments and leave other present members of the sterling area to protect their own balances of payments, and thus wind up the sterling area club. To this, Mr. John Wood replied (See 'The Listener', December 28, 1957) disputing some of the figures on which Mr. Day based his arguments and urging that the true question was "What would be the cost not only to the UK but to each member country of doing without the sterling area?" 'The Economist' then weighed in with a couple of meaty editorials, "Britain as Banker" (December 14, 1957) and "What is at Stake?" (December 21, 1957). Mr. J. R. Sargent attacked Mr. Day further in a third BBC talk and criticised Mr. Wood (See 'The Listener', January 2, 1958), and not least Professor T. Balogh sailed in with a letter, published in 'The Economist' of January 4, in which he declared that the gravest threat to the UK's economic destiny was implicit in the policy of liberalism and convertibility which had destroyed the economic and commercial coherence of the sterling area.

Whether the sterling area is maintained in modified form, as some of the protagonists hope, or is dismantled, as Mr. Day recommends, its future is of importance to India. I propose therefore to outline and to comment upon the main points raised.

The generally accepted diagnosis of the reasons for the 7 per cent bank rate was that although the UK had a healthy surplus of overseas earnings over expenditure, fears of a wage spiral inflation in the UK coinciding with enormous demands on the sterling balances from some members of the Commonwealth (notably India) which were engaging simultaneously in inflation and huge capital expenditures, led to a flight from the £. Mr. Day took the view that this diagnosis did not go far enough, because although the UK's current surplus was around £200 millions, the UK's overseas commitments required an annual current account surplus of about £400 millions. As long as the UK does not attain this figure and as long as the sterling balances are four or five times greater than the gold reserves, the UK is operating a bank with inadequate liquid reserves, and must expect constant speculative crises.

Mr. Day then asked whether the £20 to £30 millions a year at which he guessed the net earnings of the UK's banking services were worth the burden. He pointed out that to maintain sterling as an international currency, the UK allows anyone outside the sterling area who earns sterling to convert it into dollars by means of "transferable sterling". Non-residents can do this at an exchange rate never more than

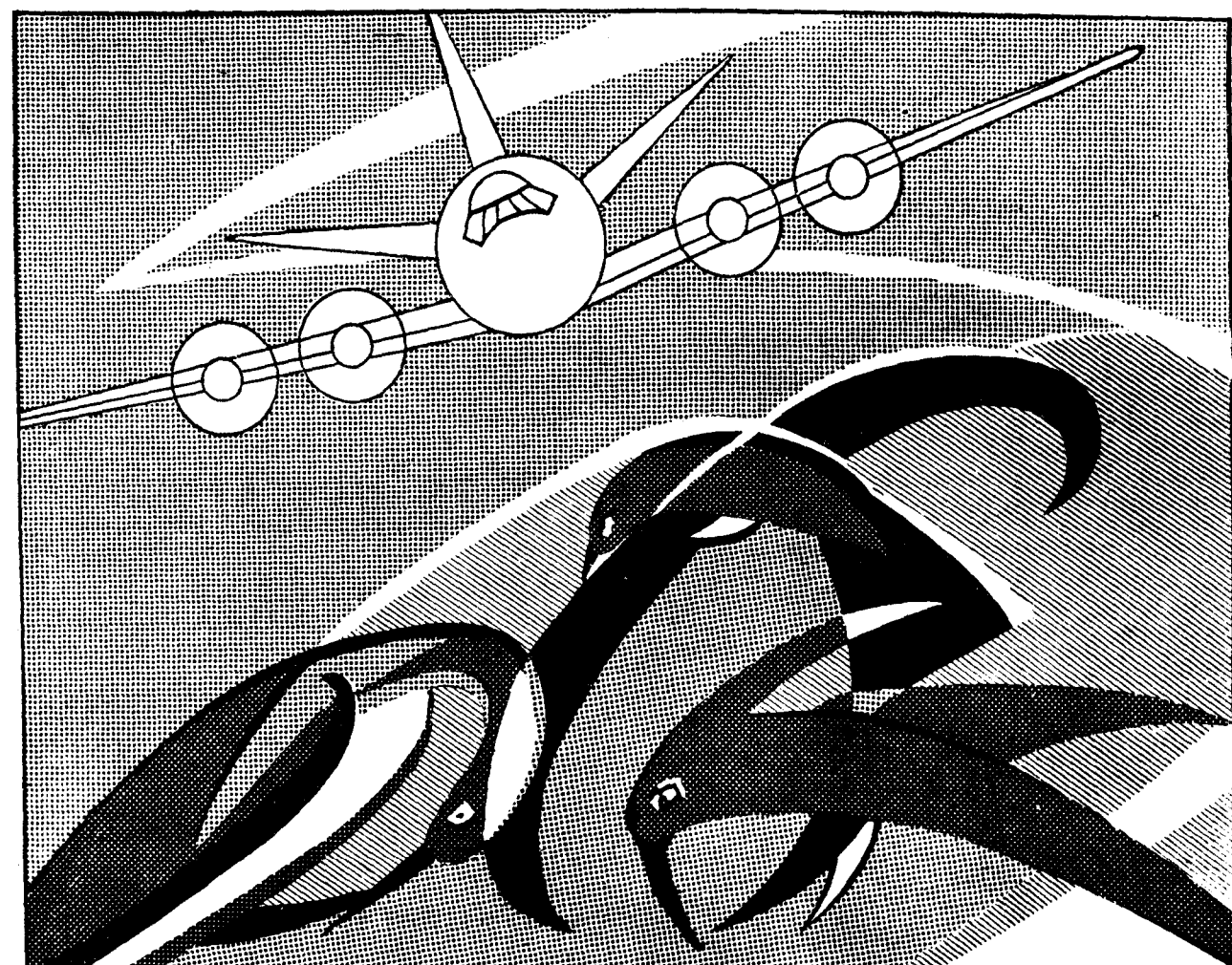
1 per cent less favourable than the official sterling-dollar rate. This places a heavy strain on the UK's reserves and Mr. Day did not see why foreigners should be favoured with these rights of convertibility when Commonwealth residents were not. He urged that the transferable rate should not be supported and that a discount should be acquiesced in whenever speculation against sterling was strong. If in these circumstances it proved impossible to work the transferable sterling system, the UK should end it as not worth the cost. The UK could settle in dollars through the European Payments Union or by bilateral arrangements. (In parenthesis, it should be noted that Mr. Day's £30 millions guess was criticised by Mr. Wood who gave a reasoned estimate of £150 millions as the UK's net earnings from insurance, merchant banking, shipping and general banking—figures which give a wholly different picture of the significance to the UK of the sterling area and also to the member countries of the services rendered to them by the UK).

MIDDLE EAST OIL

So much for no-sterling area holders of sterling. Turning to the sterling area, Mr. Day said that the members might wish to run down their balances, in order either to spend more abroad than they were earning or in order to hold a bigger proportion of their reserves in dollars or other currencies. These possibilities have not occurred so far because the colonies and the Middle Eastern oil producing states have been piling up sterling balances and because when any sterling countries were drawing heavily on their balances (Cf. India), other sterling countries had surpluses big enough to make up the difference (Cf. Australia's high earnings for her wool clip in 1956). But Mr. Day argued that the UK cannot count on the willingness of the colonies and the oil producers to continue to hold sterling indefinitely, or on member countries to refrain from using up their balances.

Mr. Day saw three possible solutions. First, the UK could carry on with intention of slowly paying off part of the sterling balances and building up reserves. This, he thought, would be excellent if the world were a kinder place, if the UK could be sure that there would be no major political crises, if she could maintain the present sterling-dollar rate indefinitely, and if she could consistently achieve a balance of payments surplus of £400 millions. Mr. Day was pessimistic about these "ifs". For example, if a Labour government came in, committed to a policy of controls, at a time when the UK's surplus was weak, heavy speculation against the £ could emerge. Again, Mr. Day argued that it was nonsense to pretend that the UK could be sure of maintaining the \$2.80 exchange rate indefinitely because in his view inflation is likely to go on faster in the UK than elsewhere.

Secondly, Mr. Day dismissed the possibility of re-establishing the sterling area as a discriminatory club. He doubted that the sterling countries would be willing unless the UK made substantial concessions, including a big increase in the outflow of investment capital, whereas he believed that the UK would find it more profitable to invest at home because (according to him) home investment produces larger returns since overseas investment merely raises profits received by the British



Homage to the new lord of the skies

An unusual painting by the poet Rabindranath Tagore—which has inspired this design—paid subtle tribute to the modern aircraft: birds bowing to the man-made 'bird'. Nor were birds slow to recognize the new lord of the skies as the first I.A.C. Viscount touched down majestically at Delhi's Palam airport.

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INDIAN AIRLINES CORPORATION

January 24, 1958.

from the necessity in which the U.K. found itself of running into debt to win the war. Some people argue that winning the war was not their concern but Britain's, and they see no reason why they should help to finance the cost of the victory of Britain and her allies. It may be so, but I suggest that unpleasant, difficult, and full of trials as this post-war world is, the unpleasantness, the difficulties, and the trials, would be raised to a nightmarish degree for those countries in what is loosely called the free world if Hitler and Mussolini, and their Japanese allies, had won and we were all living under their totalitarian and co-prosperity regimes. One thing is certain if Britain had lost the war, we should not have had any sterling balances to draw on.

But to revert to the U.K.'s war debts: these the U.K. is engaged in paying back in full, although this was contrary to the terms of the Anglo-American loan agreement of 1945 to scale the debts down, or to fund them, or segregate them from currently earned surpluses. Mr. Wood points out that failure to do this delayed restoration of triangular trade after the war, and made certain the failure of the return to convertibility in 1947.

This shows how the nature of some of the deposits by sterling countries has been transformed. No longer are they working balances held for use as occasion arises. They have come to be treated as additional sources of capital for development — and so have made easier the inflationary policies which have done, and continue to do, so much harm to the sterling countries pursuing them, and to the functioning of world trade.

Thus, says Mr. Wood, the U.K. finds herself not only providing capital through the market in the normal way but finding funds to meet drawings on the balances in unprecedented amounts, and without notice. This, he suggests, is not an essential feature of the sterling bank, which would still be a bank if some of its funds were on deposit rather than on current account.

Looking back on the succession of sterling crises and of policies which ignored the need to strengthen the banking system, the wonder is not that there have been difficulties but that the bank is working at all. "And," comments Mr. Wood, "since it not only survives intact, but has also been playing its traditional role with increasing success, then surely this argues greater inherent strength and community of interest than the heretics admit. Perhaps countries find membership worth while, since they do not resign."

It is worth insisting on Mr. Wood's point that, amidst the tumult and the shouting of the debate on sterling problems and crises, the system continues successfully to carry out its functions: today the sterling system is not only an area within which trade, payments, and capital still move more freely than elsewhere — for example, on the continent of South America or inside the vast zones of Soviet and Chinese influence sprawling across Eastern Europe and most of Asia — but also a system which offers many valuable facilities to non-members.

A JOY FOR TIDY MINDS

Consider the facilities of the "transferable sterling" system outlined here last week, which Mr. Day urged should be substantially limited as placing too great a strain on the U.K.'s reserves. Mr. Wood draws attention to the fact that few, except experts, appreciate that the use of sterling to settle indebtedness between many non-sterling countries and areas in the world has not, as you might suppose from listening to the critics, decreased but greatly increased. Abolish transferable sterling and, Mr. Day argued that "we could all settle in

dollars, through the European Payments Union, or by bilateral arrangements" but, replies Mr. Wood, bilateral payments lead to bilateral trade — "and we have only to recall the state of European trade in 1947 before the introduction of the Inter-European payments agreement to realise what this might mean". It would in fact mean the constriction and restriction of trade by a formidable re-erection of bureaucratic barriers round the world. Every country that wanted to buy anything abroad would find prices more expensive and delivery delays ever more exasperating, and every country that wanted to sell abroad would have to haggle in half a hundred bilateral agreements and wait months (or years) for payments. This picture may be attractive to those with tidy minds who like to get round a table and draw up plans, but it must appall the ordinary business man whose aim is to get the most done with the least delay in the crowded market places of the world.

And here is another thought: What other trading system maintains so many hundred branch banks dotted around the six continents? These Commonwealth branch banks make sterling sought after as the easiest currency in which to make payments.

But if the prospects of the future earnings of the sterling bank were poor, would it not perhaps be better for the creditors to write off their bad debts and take their five shillings in the £ while the going is good? This, if we are to believe Mr. Wood's figures, would not be a good gamble. Unlike Mr. Day who guessed the U.K.'s earnings from sterling services rendered to be £20 to £30 millions, Mr. Wood estimates them at £40 millions from insurance, £30 millions from merchant banking, £20 millions from shipping commissions by chartering and broking on the Baltic exchange, £10 millions from fees and commissions from the capital market, £10 millions from the foreign exchange and bullion markets, and £40 millions from export finance for foreigners, making a grand total of £150 millions — a figure which, as world trade prospers and increases, will rise.

As a reminder of some facts often overlooked, forgotten, or ignored, and as a reasoned rebuttal of Mr. Day's pessimism, Mr. Wood's broadcast was valuable. His suggestions for improving the working of the sterling system in the future do not, however, seem to me to break new ground. He reasonably urges that the U.K. must achieve a higher level of domestic saving and a large balance of payments surplus. He rightly rejects Mr. Day's view that the U.K. should abolish transferable sterling and introduce exchange control in order to confine investment to the sterling area, because this would lead to the break up of the club. Nor would this be avoided by Mr. Day's further proposal to requisition the dollar securities held by private individuals.

Mr. Wood concludes by saying that "What price the sterling area?" is the wrong question. The real question should be "What would be the cost of doing without the sterling area?" His answer is that all countries would have to make shift without a system which keeps clear the channels of trade between them and which generates considerable amounts of capital for investment. The world would lose an international currency clearing house for which no alternative exists and the level of world trade would suffer. We should all be worse off.

All this is true but it leaves one with the comfortable feeling that all is for the best in the best of possible sterling worlds. Next week, I shall outline some suggestions made by other economists with a view to minimising the periodical crises that beset what should be the primrose path of sterling.

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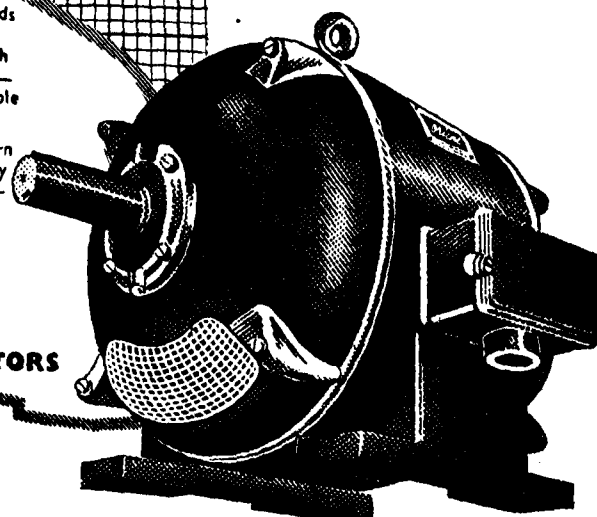
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WORLDGRAM

AGRICULTURE

Expansion of Agricultural Co-operatives: The National Co-operative Development and Warehousing Board gave financial aid to 1,249 large-sized, 602 small-sized and 22 processing societies in 1956-57. In addition, 224 primary, 20 district and seven apex marketing societies were assisted by the Board. Other credit societies, to which assistance was given, included 131 central and seven apex co-operative banks and 50 land mortgage banks. The Board also helped in the construction of 594 godowns for credit and marketing societies during the year 1956-57. The Board's assistance to agricultural co-operatives in 1956-57 amounted to Rs. 197 lakhs—Rs. 175 lakhs as loans and Rs. 22 lakhs as subsidies. Besides this, a sum of Rs. 40 lakhs was contributed by the Board to the share capital of the Central Warehousing Corporation.

India Grows 4000 Varieties of Rice: Of the 7,000 botanical varieties of rice known in the world, 4,000 are grown in India. Nearly two-thirds of the annual rice production is retained by the producers for domestic consumption, barter sales, seed and payments in kind, releasing only one-third for the market. More than 90 per cent of the rice grown is consumed in various cooked preparations, the bulk being eaten in the form of plain boiled rice. The highest per capita consumption is 314 lb. per annum in West Bengal. Next in order are Assam, Madras and Madhya Pradesh. Uttar Pradesh and the Punjab account for lowest consumption—74 and 20 lb. respectively. These facts are revealed in a monograph, "Rice in India", published by the Indian Council of Agricultural Research.

Central Dairy to be Located at Patel Nagar: A plot of land with an area of 33 acres, situated near Patel Nagar railway station, New Delhi, has been acquired for the buildings of the central dairy, to be established under the Delhi Milk Scheme. The construction of the buildings is expected to begin in February. The central dairy will process and bottle 7,000 maunds of milk daily, and will have capacity for handling up to 10,000 maunds to meet additional demands. Milk products, such as butter, ghee and ice cream, will also be produced. In addition to the financial aid amounting to Rs. 106.7 lakhs given by New Zealand, the services of an expert have been made available by that country for help in planning and implementing this scheme.

Extension of Area Under Deep Water Paddy: Some new varieties of paddy suitable for inundated areas—known as "deep water paddy"—will be cultivated a larger area in Andhra Pradesh and Mysore. It is expected that such varieties will also be introduced in suitable areas of Madhya Pradesh. There is considerable scope for extending cultivation of these varieties of paddy to the areas which are not being utilised at present. The Government of India will give financial aid for research schemes for conducting trials with a view to selecting the best varieties for different areas in the three States.

INDUSTRY

US Steel Output: Production of raw steel in the United States during 1957 was the third highest for any year, according to figures compiled by the American Iron and Steel Institute. The total of 112,707,711 net tons, however, was slightly lower than recent estimates of 113 million tons or higher. The record year for steel output was 1955, with about 117 million tons. In 1956 production was 115 million. This figure would have

set a new high but for the 35 day steel strike in mid-year which resulted in an estimated loss of approximately 11 million ingot tons. According to the Institute's economic index of steelmaking, based on the average for the years 1947-49, the figure for the year just ended was 134.6 per cent, against 137.2 per cent for 1956.

Steel Melting Furnaces for Canada: In keen competition with American and German firms, G.W.B. Furnaces Ltd., have recently received an order from the Canadian Steel Wheel Co., of Montreal, for two 40-ton (40,640-kg.) direct-arc steel melting furnaces. The order is worth about \$500,000 (Rs. 25 lakhs). The background of this order is that after January 1, next cast-iron wheels are to be fitted to Canadian or American rolling stock. Wheels will, therefore, be of steel and either cast or forged. Two American-controlled companies operating in this field are going forward with plans to manufacture cast-steel wheels, while the Canadian Steel Wheel Co. is to manufacture wheels of the forged type.

Development of Small Industries in Delhi: Schemes to establish training and common facility centres in the Union Territory of Delhi have been approved by the Government of India. Over Rs. 1.4 lakhs have been sanctioned for the purpose. Three centres are to be opened in the Pilot Project Area in Alipur. A training-cum-common facility centre for blacksmithy and sheet-metal will be set up at Narela. A common facility centre for carpentry will be opened at Bawan. A demonstration-cum-training centre for tanning will also be set up. The amounts are to be utilised for the purchase of land, machinery and equipment, and for construction of buildings. A portion is for meeting the recurring expenditure on these schemes. In the industrial estate at Okhla, near Delhi, all the 35 factories, which have been completed, have been allotted to small industrialists. Of these 21 factories have been occupied and 12 units have already gone into production. This estate has been constructed by the National Small Industries Corporation under the Ministry of Commerce and Industry.

Training Centres for Small Industries in Pilot Project Areas: Training and production centres for small industries and common facility units, particularly in backward and pilot project areas, are to be set up in Uttar Pradesh, the Punjab, Jammu and Kashmir and Himachal Pradesh under schemes approved by the Government of India. For implementing these schemes, grants and loans amounting to over Rs. 30 lakhs have been sanctioned by the Centre.

Covered Electrodes for Metal Arc Welding: The Indian Standards Institution has published an Indian standard specification for covered electrodes for metal arc welding of mild steel, IS: 814-1957. This standard lays down requirements of covered electrodes used in metal arc welding and specific methods for evaluating them. It also covers additional requirements for deep cutting electrodes for use in certain welding positions. The type and quality of an electrode play a very important part in getting welds of required characteristics. The performance qualities of an electrode should be such that satisfactory weld deposits can be made by a welder of average skill and experience working under normal conditions existing at the site of work. All values appearing in this standard have been given in metric units along with their equivalents in the ft.-lb. system. The standard has also been related to the trade and technological practices followed in this field both in India and abroad. Copies of the standard can

be had from the Indian Standards Institution, Manak Bhavan, 9-Mathura Road, New Delhi-1 and also from its branch offices at 40/40A Cawasji Patel Street, Bombay, P-11 Mission Row Extension, Calcutta, and 23 Nungambakkam High Road, Madras-6.

TRADE

Trade Agreement between India and Ceylon: A Trade Agreement between India and Ceylon was signed in New Delhi recently following the discussions between the official Trade Delegation from Ceylon and representatives of the Government of India. Under the Agreement the Government of India have undertaken to permit the import of specified quantities of Jaffna chewing tobacco during the next four years at a concessional rate of import duty of Rs. 400 per candy. The quantity of Jaffna tobacco to be permitted for import in 1957-58 has been fixed at 1,500 candies, in 1958-59 at 1,200 candies, in 1959-60 at 960 candies and in 1960-61 at 770 candies. It has been agreed that the import of Jaffna tobacco will be made through the port of Trivandrum. Imports through other ports as well as imports in excess of the specified quantities will be subject to the Indian Tariff rate applicable to the import of unmanufactured tobacco. The Government of Ceylon will facilitate the import of Indian-grown tobacco for the production of cigarettes and other tobacco manufactures in Ceylon. Ceylon has also agreed to allow the import of fixed quantities of Indian bidis during the next four years at the prevailing rate of duty. The quantities are: 1957-58—20 lakh lbs.; 1958-59—16 lakh lbs.; 1959-60—12.8 lakh lbs., and 1960-61—10.24 lakh lbs. If there are temporary gaps in Ceylon's requirements and production of bidis the Ceylon Government will issue supplementary licences for import of bidis from India whenever necessary. The Government of India on their part will issue supplementary quotas for Jaffna tobacco. Subject to the approval of the two Governments, the Agreement will come into force immediately and will be valid until August 31, 1961.

Trade Agreement with Hungary Extended for Two Years: Letters were exchanged in New Delhi recently between Shri K. B. Lal, Joint Secretary, Ministry of Commerce and Industry, and H.E. Mr. Aladar Tamas, Envoy Extraordinary and Minister Plenipotentiary, of the Hungarian People's Republic, extending by another two years the validity of the Indo-Hungarian Trade Agreement concluded on June 17, 1954, with some modifications. According to the new arrangement, payments in respect of commercial and other transactions between the two countries will be made in Indian rupees. Steps would also be taken to encourage exports to Hungary of Indian consumer goods, like cotton, woollen and silk textiles, shoes and other leather goods, spices, coffee, tea, hydrogenated oils, handicrafts, shellac, jute goods, tobacco and tobacco manufactures. In Schedule 'A' which lists the items available for imports into India from Hungary, the important commodities listed are metals, iron and steel and manufactures thereof, cutlery, hardware, implements and instruments, electrical goods and appliances, machinery of all kinds, metals other than iron and steel, chemicals, drugs and medicines. Among the items for export from India mentioned in Schedule 'B', the important commodities are iron ore, mica, pepper, shellac, raw goat and sheep skins, coffee, tea, linseed oils, tobacco and tobacco manufactures, cordage and ropes, paints and lacquers and tapioca and its products. Since the signing of the Agreement in 1954, Indo-Hungarian Trade has increased steadily. While the total trade between the two countries stood at Rs. 12 lakhs during 1953-54, the corresponding figure for 1956-57, was Rs. 1.15 crores. India had a favourable balance of trade to the extent of Rs. 9 lakhs during 1954-55. During 1955-56 and 1956-57, however, the balance of

trade was against India to the extent of Rs. 33 lakhs and Rs. 17 lakhs respectively. This was mainly because of large imports of iron and steel products, accounting for nearly 75 per cent of Hungarian imports into India. There has also been an appreciable increase in the export of Indian products such as spices, mica, iron ore, raw hides and skins and coir yarn and vegetable fibres.

FINANCE

West Bengal Tax Laws in Transferred Territory: The President has given his assent to the Transferred Territories (Application of West Bengal Tax Laws) Bill, 1957. Following the transfer of certain territories from Bihar to West Bengal, the Governor of West Bengal promulgated an ordinance to replace the Bihar Tax Laws by the West Bengal Laws in these territories. The Bill seeks to enact the provisions of the Ordinance.

Central Grant for Maternity and Child Welfare Centres: A further sum of Rs. 17,000 has been sanctioned by the Government of India to Orissa Government in connection with the running of five Maternity and Child Welfare Centres in backward areas, which were established in 1955. A sum of Rs. 7.25 lakhs has also been sanctioned by the Central Government to the Government of Orissa as grant-in-aid for implementing the spill-over rural water supply schemes in the State.

Central Aid for Development of Fodder Resources: To increase production of fodder and feeds for development of animal husbandry in the country, the Government of India has decided to give financial aid to State Governments during the second Plan period. The schemes, for which Central aid will be available, aim at development of fodder resources in the key-village areas. It is estimated that the fodder available at present is 78 per cent of total requirements, while concentrates and feeds are enough for healthy growth of 28 per cent of the country's cattle population.

Low-Income Group Housing Grants: During November, 1957, the Government of India sanctioned loans amounted to Rs. 9.50 lakhs to one State Government and two Union Administrations under the Low-Income Group Housing Scheme. Of this amount, Rs. 6.00 lakhs were paid to the Rajasthan Government, Rs. 1.50 lakhs to the North-East Frontier Administration and Rs. 2.00 lakhs to the Administration of Andaman and Nicobar Islands. The total amount of loans sanctioned to various State Governments/Union Administrations since the inception of the scheme in November, 1954, is Rs. 13.86 crores.

GENERAL

New Record Set Up By Calcutta Port. A number of new records were set up by the Calcutta port during December, 1957. The tonnage handled to and from sea-going ships in December was 788,915 tons, a record for any one month since April, 1952. It beats the previous best in September 1957 by 40,643 tons. Imports landed were 388,057 tons, which exceeds the previous best (in October 1957) by 16,862 tons. An all-time record was set up in the number of ships — 152 — that entered the Calcutta port during December. The number of ships that left the port during the same period was 141. No import ship was detained for a berth even for one day, with the sole exception of S.S. "Exchange". Wagons received from and despatched to foreign railways during the month was 23,566 and 23,903, respectively. These figures had not been equalled since February, 1953. "The average daily handling of Commissioner's shore labour was 3.9 tons per man per day. It is the best on record," the report claimed.

NEWS IN BRIEF

FOREIGN

The International Cotton Advisory Council, in its monthly bulletin, has estimated total world production of cotton at slightly under 39 million bales compared with 41 million bales in 1956-57.

A \$15 million 10-year Bond issue by the Union of South Africa, originally set for last October, has been rescheduled for January 21, according to reports. The Bonds are expected to be offered to the public by an under-writing group headed by Dillon Read. Proceeds of the issue would be used in the development of the Union's transportation programme.

The number of unemployed in Holland at the end of December had risen to 110,000 against 67,000 at the end of November. The latest figure is approximately 3 per cent of the working population.

The City of Amsterdam has received an offer from American banks for a loan of between \$15 million and \$20 million. The loan may serve for harbour improvement and expansion of the electricity grid.

Imports into the U.K. of cotton, rayon yarn and cloth from China are to be subject to quota restrictions, the Board of Trade announced recently.

A trade agreement between Egypt and Morocco has been signed in Rabat by a delegation of Egyptian experts who arrived in Morocco, in the last week of December.

Large mine copper production in Chile was Chuquicamata — electrolytic 155,884 metric tons, blister 83,847 tons, Potrerillos — blister 39,168, El Teniente — blister 89,663, fire refined 65,898.

It is reported Australian manufacturers are interested in opening factories in Malaya in co-operation with local capital, on account of the liberal terms offered by the Malayan Government.

The Iraqi Government's total earnings from oil last year amounted to £48.9 million compared with £68.9 million in 1956.

In December 1957, the net foreign currency holdings of Denmark Central Bank increased by Kr. 203 million, so that, by the end of 1957 there was a balance of Kr. 106 million (about £5.3 million) compared with a deficit of Kr. 232 million at the end of 1956, and a Kr. 239 million deficit at the end of 1955.

South Africa's total gold and foreign assets in the week ended January 3 totalled £97.1 million compared with £102.1 million a week earlier.

Norway is likely to have a considerable deficit on her balance of payments for 1958, according to the Chairman of the Bank of Norway.

INDIAN

The directors of the Tata Iron and Steel Co., Ltd., have decided, subject to the sanction of the Controller of Capital Issues, to issue bonus shares in the ratio of one share for every five shares held.

The Union Minister for Industry, Shri Manubhai Shah revealed recently that more than Rs. 4.5 crores had been sanctioned to the State Governments during the current financial year for the development of small-scale industries.

A co-operative rural economy based on the village community and voluntary association has been recommended as the goal of land reforms by the Congress Steering Committee.

The Government of India has reviewed the export policy of kardiseed oilcake and has decided to release a quota of 5,000 tons for export by all shippers during the period January-September 1958. Licensing procedure is being notified by the Export Trade Control authorities at the ports.

Restrictions on the export of mineral khaki drill and or cellular shirting processed by factories other than mills, are to be removed according to a notification issued by the Joint Chief Controller of Exports, Bombay.

The Government of India's heavy electrical equipment project, at one time gravely threatened by shortage of foreign exchange, is now likely to be implemented in two major phases. Preliminary work in connection with the first phase is already in hand near Bhopal.

The Government of India would continue to grant quotas of cotton yarn to mills for export during the period January-June 1958, the Joint Chief Controller of Exports, Bombay, announced in a trade notice issued recently.

The Indian Standards Institution has circulated for eliciting comments, a draft Indian standard specification for those connections for welding and cutting appliances.

Paints, varnishes, and enamels containing lead or zinc would be placed on O. G. No. 3, the Joint Chief Controller of Exports, Bombay, notified recently.

The Government of India has set up a cell in the Ministry of Labour to evaluate the progress made in the implementation of labour laws, awards, agreements and settlements.

The Central Council of Health at its recent meeting at Bangalore has decided to recommend to the various State Governments the raising of the age of retirement of their employees from 55 to 58 in view of the increase in the span of life.

A notable feature of production in jute mills during December last was an increase in sacking from 53,200 tons to 54,700 tons while hessian declined from 34,000 tons to 32,000 tons.

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Glucose	Confectionery	Processed fruits and vegetables
	Cashews	

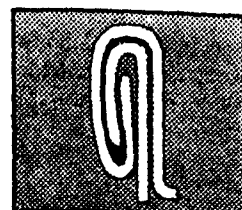


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A DELHI DIARY

THIS week again I have been visited by the duality of history about which I was complaining last Friday. The interest which is being shown in the Life Insurance Corporation Inquiry at Bombay seems, at least by the spread of the news in the papers, that I read, to be even more distracting than the Gauhati session of the Congress. I have, therefore, had this week to allow my "dual" view of history to be strangely unified by devoting this 'Delhi Diary' entirely to Bombay. I hope this attraction for events displayed by acts, superior to those which we in the Press count our own, will be accepted as the reflection of good popular perspective. We bow to the wish, as well as to the will, of the people.

THE PRESS PENTANGULAR

During the last three days, in which evidence has covered between a page to a page and a half of each of five dailies, I have amused myself by reading the headlines in the five papers, which those who count themselves unprejudiced must read in order to get first-hand news editors, and secondly, five aspects of every important problem. These five aspects will not, one hopes, be confused with the famous five principles, otherwise called Panch Sila. These are aspects of the truth, not the basic principles of peace. But to return to the five aspects. In the sense that we have five sides to watch, we may be said to be looking on at a Press Pentangular. I like to compare our role with that of the spectators in the great Bombay cricket pentangular now (alas!) a little out of date. The Life Insurance Corporation Inquiry, however, provides an opportunity for a pentangular of a different kind, which may, in time, give equal pleasure.

I have only taken play on three days; of course, the match is still unfinished and the final score is anybody's guess. But first, the rules of the game. There is one useful point to record in this Press Pentangular and that is the facts being the same everyone is batting on the same wicket at the same time. The state of the wicket does not seem to be a major problem in the Press Pentangular. The batsmen, of course, are the news editors, and the bowlers may be their reporters on the spot, subject to the qualification at the end of this piece.

I have constituted myself the umpire to review the performance of the batsmen in this match. Since I have no secrets for my readers I may as well confess that the papers (which I study with a vigilance far greater than I give to 'The Eastern Economist') are 'The Hindustan Times', 'The Statesman', 'The Times of India', 'The Indian Express' and 'The Hindustan Standard.' I need not give the special numbers, but shall put down not necessarily in the order in which I have mentioned them the headlines and sub-headlines on the each day's proceedings in this inquiry.

First Day's Batting:

P.M.'s DIRECTIVE NOT HEED BY L.I.C.
Investments in Mundhra Chain.
L.I.C. INVESTMENT INQUIRY BEGINS
Chagla explains terms of reference.
L.I.C. "DEFIED" P.M.'S ORDERS
Mr. Feroze Gandhi's evidence.
INVESTMENTS OF L.I.C. IN MUNDHRA CONCERNS
Chagla begins Inquiry.
FEROZE GANDHI DEPOSES IN L.I.C. INQUIRY

Second Day's Batting:

MUNDHRA SHARES BOUGHT UNDER SECRETARY'S ORDERS
PURCHASE OF SHARES IN MUNDHRA GROUP
L.I.C. Managing Director faced with fait accompli.
MUNDHRA SHARES BOUGHT ON ADVICE OF MR. H. M. PATEL
Managing Director's deposition.
L.I.C. INVESTMENT BODY NOT CONSULTED
Managing Director pleads ignorance.

Third Day's Batting:

NO DIRECTIVE TO BUY MUNDHRA SHARES
Patel was asked to use 'caution' says T.T.K.
NO DIRECTIVE BY NEHRU TO T.T.K.
Mundhra Group Affairs — Finance Minister's evidence.
ALLEGED BID TO BUILD UP BUSINESS EMPIRE
Sensational Revelations of Mr. Mundhra's activities.
NO DIRECTIVE ON MUNDHRA SHARES
L.I.C. Investment Inquiry—Kamat's statement on June transactions.
NO DIRECTIVE TO PATEL TO BUY SHARES
T.T.K.'s testimony in L.I.C. Inquiry.

Any one looking at these headings will assume that the perspective from which news is set out in our dailies is different in every case. I do not mean to say that batting is not straight in any paper or that anything irregular has been done. And, of course, variety constitutes the spice of life and, in the darkness of our times, must be reckoned highly on this account.

THE NEWS EDITOR

It is obvious, on the assumption that this spice is the work of the news editor, that news editors are highly individual people. I would venture to question any derogation of character or variety from the particular batsmen whom I am choosing on this occasion to single out for analysis. But let the reader keep his own score and bring it up to date in days that follow up his own (independent) mind!

THE BATSMEN AND THE BAT

I am tempted, not being in a very reverent frame of mind, today to quote a parody on Ralph Waldo Emerson's 'Brahma' which my literary readers will, no doubt, instantly recall. For Emerson's stately verse:

"They reckon ill who leave me out;
When me they fly, I am the wings;
I am the doubter and the doubt.
And I the hymn the Brahmin sings."

some one once did a parody:

"I am the batsman and the bat:
I am the bowler and the ball....."

It seems to me that in the Press Pentangular there is some one on each side who corresponds to this description. Need I describe him in greater detail?

ARGUS.

Special Articles

THE STATE OF THE COAL PLAN

THE overall target of production of coal of the order of 60 million tons at the end of the second Plan has been divided broadly into 45 million tons for the private sector and 15 million tons for the public sector. Coal is one of the components of the core of the Plan. Assuming that the necessary outlay in the public sector of the coal plan will be fully provided by covering the original gap, the important question which needs to be examined is whether other resources and facilities can reasonably be expected to be procured in order to achieve the target, taking the two sectors together.

This question can very well be examined with reference to the actual performance of the two sectors since 1950. The probable availability of physical resources can be examined with specific reference to the statistical position of the industry in recent years. Table A below traces the course of the raisings of coal sectorwise.

TABLE A.

RAISINGS IN THE PRIVATE AND PUBLIC SECTORS IN COAL INDUSTRY

Period	Private Sector	Per cent	Public Sector	Per cent	Total (Tons)
1950	29,704,931	91.97	2,591,712	8.02	32,296,643
1951	31,428,326	91.28	3,002,196	8.72	34,430,522
1952	33,022,877	90.97	3,278,988	9.03	36,301,865
1953	32,839,799	91.27	3,139,368	8.73	35,979,167
1954	33,808,071	91.89	2,984,520	8.11	36,792,591
1955	35,357,305	92.52	2,858,412	7.48	38,215,717
1956	36,443,041	92.42	2,990,755	7.58	39,433,796

This table underlines significant trends in the growth of coal output during the last seven years for which complete figures are available. Total output has increased from 32.29 million tons in 1950 to 39.43 million tons in 1956. The bulk of the increase has come from the private sector which was inevitable owing to the insignificant share of the public sector in the industry at present. Of the net increase of 7.14 million tons, the private sector is responsible for virtually the entire quantity amounting to 6.74 million tons, leaving a mere 0.40 million tons to the public sector. In per-

centage terms the contribution of the private sector has been of the order of 94.4 per cent of the increase as against the public sector's 5.6 per cent. Undoubtedly the most significant fact highlighted in this table is the share of the two sectors in total output in terms of percentages. The percentage share of the public sector has decreased from 8.03 per cent to 7.58 per cent. The private sector has pushed its share from 91.97 per cent to 92.42 per cent.

The graph on the next page puts the position in respect of actual production trends since 1955 and the targets fixed for 1960 in a manner which should raise a vital query about the propriety of allocating an excessive share to the public sector. Since this allocation is unlikely to be changed, its feasibility needs to be investigated. Insofar as the capacity of the private sector to fulfil its allotted target is concerned, there is no room for doubt. From the view point of its own resources, it is within its control to raise its output from the estimated 38.4 million tons in 1957 to 45 million tons in 1960. Whether it will be enabled to achieve this output will depend also on the external factor of availability of transport.

The second Plan seeks a radical change in the shares of the two sectors in total output. From a share of roughly 7.5 per cent at the beginning of the second Plan, the Public Sector's share is to be stepped up to a high ratio of 25 per cent. In terms of absolute quantity the magnitude of the share is much higher—from less than 3 million tons to 15 million tons over the Plan period. In the first place, managerial and operational efficiency in the public sector collieries has a tremendous leeway to make up before it can successfully grapple with the allotted task of higher production. Evidence of this improvement hardly encourages optimism and it will be bold to expect a spectacular change in the short period. In the second place, granting that open-cast mining will accelerate the rate of output in the new mines, it cannot be overlooked that an average period of anything between six and eight years is the minimum that will be required to develop new mines. On this score alone it is obvious that the target will involve extension by anything up to two years.

In the context of the total coal plan, a fundamental factor which will determine its progress is the expansion of railway transport facilities. It cannot be denied

TABLE B.

RAISINGS AND STOCKS IN THE COAL INDUSTRY—1957

Period	Private Sector			Public Sector		
	Raisings	Stocks at end of the month	Percentage	Raisings	Stocks at end of the month	Percentage
	(Tons)	(Tons)		(Tons)	(Tons)	
1957	(1)	(2)	(3)	(4)	(5)	(6)
January	..	3,319,413	2,739,757	82.54	307,738	40,541
February	..	3,241,703	2,985,576	92.10	278,978	43,821
March	..	3,358,853	2,964,041	88.25	293,924	36,092
April	..	3,429,930	3,046,324	88.82	296,176	40,448
May	..	3,511,961	3,215,705	91.56	282,131	29,941
June	..	3,083,874	3,221,550	104.46	246,526	30,833
July	..	3,023,379	3,028,489	100.17	272,771	37,110

that railways have rendered an improving performance in the matter of offering wagon capacity for the movement of coal. But this relative improvement does not alter the fact that the absolute and increasing requirements of industrial consumers of coal continue to suffer from inadequate supplies. Table B appended in this article throws light on the ability of the railways to carry the coal traffic offering.

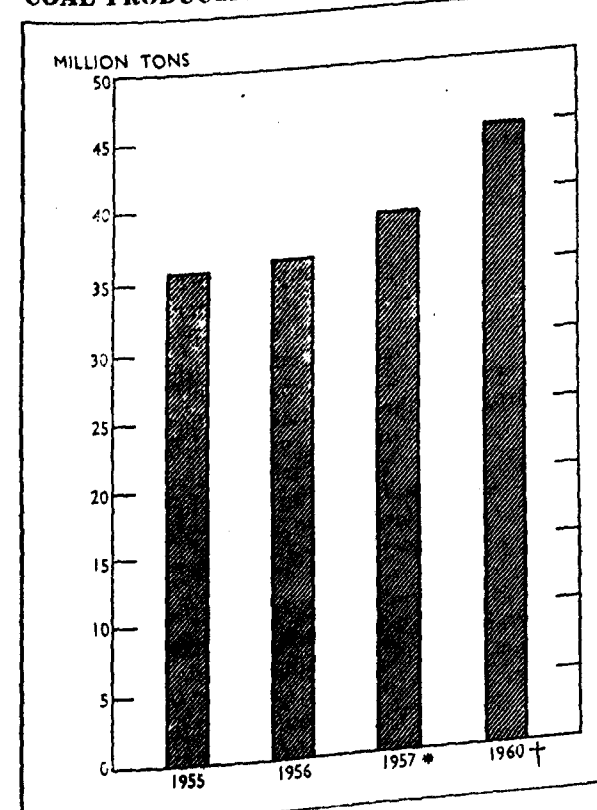
The figures for January-July 1957, show the worsening condition of the month-end stocks with the quantities of stocks collieries in both the sectors. The quantities of stocks carry-over and show the difference between the month's carry-over and raisings, on the one hand, and despatches and consumption at source, on the other. Consumption at source forms a fractional share. The trend of stocks, therefore, reflects the potential shortage of transport, since production is by no means outpacing current demand and, on the contrary, consumers find themselves in short supply from time to time. The figures of stocks with collieries in the private as well as public sectors since the beginning of the current calendar year reveal a marked tendency towards an increase which is on the whole progressive. To the extent that it is progressive,

it reveals inadequacy in the supply of wagons.

The railways have advisedly incorporated important programmes for better capacity to be placed at the disposal of the coal industry. A quicker turn-round of wagons by the operation of block-rakes, setting up of more coal dump depots at strategic points and a marked improvement in the handling capacity of the marshalling yard at Mughalsarai are important among them. Nevertheless, the basic limitations in the ability of the railways to provide wagons and other facilities in a full measure cannot be overlooked. The expanded plan of wagon supply for the Bengal and Bihar collieries at the rate of 4,965 wagons per day at the end of the second Plan, if it goes through, will move additional coal traffic of the order of 10 million tons in this area which accounts for the overwhelming share of the total output. How the railways propose to meet the requirements of the balance of over 10 million tons of coal out of the planned increase has not been clarified. It is, therefore, obvious that unless transport capacity is expanded on the required scale, mounting stocks in the collieries will retard the rate of higher output.

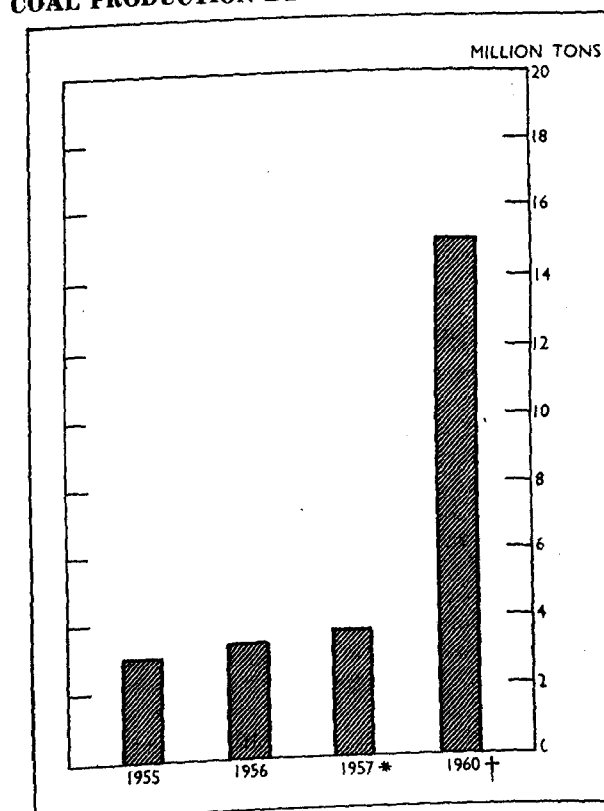
COAL PRODUCTION BY THE PUBLIC SECTOR

COAL PRODUCTION BY THE PRIVATE SECTOR



* Estimated.

† Target.



A SHORT-TERM POLICY FOR FOOD

(DR. P. C. BANSIL)

FOR one reason or the other, food has been engaging the attention of the people in the country for some time past. The success of the first Plan on the food front was believed to have solved the food problem. But the present position, when an import of the order of 3.7 million tons has come in during 1957, and food prices have touched new levels, calls for a reconsideration of the whole issue.

After an easy position, for about 2 years, the last two years—1956 and 1957—have taken a turn for the worse, against an all-time record production of 28.1 million tons of rice and wheat respectively, for the year 1956-57. This brings to focus the point that the supply of food grains is not the same as production, and demand is not the same thing as consumption. Even if prices are assumed to be determined by the

interaction of supply and demand, in the case of food grains, supply is invariably determined by the quantity released by the producers, technically known as the 'marketable surplus' and demand is not that of the producers, but only that of the non-producers.

Due to rapid industrialisation and many other factors, the number of non-producers is increasing. So much so the increase in urban population is expected to grow at an annual rate of 4.8 per cent during the second Plan period. It is quite possible that with the increasing emphasis on cottage and small-scale industries, the non-producers in the urban sector may also increase. The effective demand for food grains, in the restricted sense explained above, has thus increased appreciably. This would mean that unless effective supply, i.e., marketable surplus, shows a cor-

responding increase, there is bound to be a disequilibrium in the forces of effective demand and effective supply. If this disequilibrium is fed on certain external forces, militating against them, the normal forces of supply and demand are liable to be disturbed further, either bringing a swing to the downward or upward.

The only remedy at the moment would thus seem to be the building up of market psychology by an enhancement of the supply. This is possible by the release of food stocks in response to genuine or even ingenuine demands. It can be done either by the purchase of food grains from the open market or imports from abroad. Since the propensity to stock at the moment is the maximum, it would perhaps not be advisable to resort to any large purchases from the home market. The present policy of importing food grains for the building up of reserves would seem to be the most sound one, under the circumstances. The other suggestion of the Food Grains Enquiry Committee regarding the establishment of regulated markets for encouraging the flow of marketable surplus also deserves consideration.

Once market psychology is thus built up, the forces responsible for the propensity to stock are bound to get a set-back and a tendency to dehoard is likely to come into motion. Other palliative measures like credit restrictions, powers to freeze stocks under the Essential Supplies Act, and Zonal restrictions, would all the same be necessary for so long as the country is not able to have an effective hold on natural hazards like floods and droughts by a systematic irrigation system.

This does not mean that everything is all right on the production side. The population of the country is increasing steadily at an annual rate of 4 to 5 million and additional food will be required to feed the new mouths.

The production of food, as that of any other agricultural or industrial product, will have to conform to objectives of a planned economy and thus help in the realisation of our dream of a better and happier India.

The food potential of the country being rather high, there is no danger of a long period problem. The possibility of that of a short period one cannot, however, be ruled out. This is because:

- (a) Indian agriculture is still subject to hazards of nature, and every two years, in a cycle of five, are normally bad years.
- (b) An absolute increase in production has no significance in a developing economy, if the non-producers fail to get the required share of their demand through the normal functioning of the market. What is known as 'Scissors Crisis' in Russian history is well known.

As regards (a) the remedy lies in increasing production in order to have surplus food in good years so as to cover the deficit supply in years of bad harvests. This should not be difficult if the newly constructed irrigation works are fully utilised and deterioration of the land from old ones is protected. The Deputy Chairman, Planning Commission, in his recent address to the Development Commissioners at Mussoorie, has brought to light the sad plight of the States having utilized hardly 4 million acres out of the 6 million acres for which irrigation facilities were provided during the first Five-Year Plan period. Similarly an expert team on plan projects under the chairmanship of Shri Gadgil has revealed in its draft report that several million acres of the most fertile land in the Punjab have been ruined by water-logging and alkalinity largely as a result of seepage of water from canals and distribu-

taries. If the total food potential of the country is to be exploited, all such matters will need due attention.

As for (b), the existing stocks will have to be properly husbanded. The marketable surplus can be reduced either by increasing consumption on the farm or by some impediments being placed in the way of normal trade channels; may be due to transport bottlenecks or hoarding at some of the intermediary stages. The first and foremost condition to overcome such a situation is the building of reserve stocks which must be unloaded at the appropriate time with a proper understanding of the market psychology. More so, when a system of controlled supply of food grains to the non-producer is not only difficult, but full of still greater dangers. Whether these food reserves are built by purchases from open market, imports or even conversion of the present system of land revenue in cash to that in kind as is the case in China, needs a thorough examination, which is beyond the scope of the present study.

The Produce (Development and Warehousing) Corporation Bill, 1956, was timely from this point of view. Besides its functions of storage and warehousing, the Central National Co-operative Development and Warehousing Board is planning to formulate programmes for the production, processing, marketing, imports and exports of agricultural produce with the help of co-operative societies.

Credit control, restricted money supply and changes in the reserve ratio under section 42 of the Reserve Bank Act would also be necessary to curb speculative activities. It may become imperative at times to have control by fixing ceiling prices rather than by state trading. Such a measure on an all-India basis would be quite feasible when the Centre has already acquired such powers by an amendment of the Constitution to have control over the Essential Supplies Act. In order to make this policy of price control a success, a scheme of fair price shops, particularly in the deficit pockets, would be quite useful. They will help to build up market confidence and serve as an effective check on hoarding as well as spiralling prices.

Most of the transport bottlenecks will have to be removed by an improvement of the governmental transport means. But in the short period, the creation of food zones as constituted at present, would serve the purpose. Such a system would obviate the haphazard and unplanned movement of food grains over long distances which is primarily motivated by private profits rather than serving the national interests. A zonal scheme, if judiciously formed and fully implemented, is sure to bring out hoarded stocks in due course, thus adding to the marketable surplus.

There is also the need to keep a watch on food subsidies. Food imports even today are being heavily subsidised. Such subsidies help to keep up consumption at artificial levels. They are a heavy drain on the exchequer. The whole policy deserves a careful re-examination. The earlier they are removed, the better it would be for the country.

Last, but certainly not the least, a well planned policy of a change in the existing food habits would not only alleviate the short period difficulties from time to time, but also help to improve the quality of food. A shift from rice to wheat, gram and millets, for instance, would be quite welcome to all students of human nutrition. Some of the subsidiary foods like potato can also play a major role to fill the gaps in periods of stress. If short period problems are adequately tackled in the manner described above, the long period, it can be emphasised, will take care of itself.

FACTS BEHIND FIGURES



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the trend of India's foreign liabilities and assets since June, 1948, it should be possible for them to indicate the position on the eve of the first Five-Year Plan and that at the end of that Plan. The same thing could also be done for the second Five-Year Plan, the more

so because of the relatively larger percentage of the foreign capital component in the total resources of the second Plan. This would enable one precisely to evaluate the contribution of foreign capital to the implementation of our development Plans.

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BUSINESS NOTES

ENGINEERING INDUSTRY'S PROBLEMS

IT WAS a happy idea of the Federation of Indian Chambers of Commerce and Industry to have convened a conference of engineering industries and trade to assess the development of the industry and examine its expansion potentialities. The current foreign exchange difficulty has thrown on the country's engineering industry the dual responsibility of conserving foreign exchange by reducing the dependence on foreign supplies of machinery and also help in the earning of foreign exchange by a vigorous export drive. Both Mr. Manubhai Shah, Union Minister for Industry and Mr. Babubhai Chinai, President of the Federation, who spoke at the conference, drew attention to the several difficulties facing the industry in the expanding economy of the country. Considerable credit is due to the private sector in implementing so far the plans for the development of engineering industries and the upward revision of the planned targets made in respect of several items is adequate proof here, if any were needed. The major problem facing the industry is in respect of shortage of raw materials and the Minister's statement that the Government had given the highest priority to the import of raw materials and components in order to maintain the current level of production as far as possible must therefore be reassuring. One would also hope that the Federation President's optimism that the shortage of steel and pig-iron would only be a short-term problem and in two years, the country's major steel requirements would be met by indigenous production comes true. Mr. Chinai, however, pointed out that the engineering industries also had to abide by the terms of the deferred payment scheme and there is considerable force in his suggestion that a clearer picture should be given by Government to fully appreciate the reasons which weighed with them in so tightening the scheme that even the first 20 per cent of the cost of machinery purchased abroad will not be permitted until the end of the second Plan period.

About the need for pushing up the export of engineering goods, there can obviously be no difference of opinion. The address of Mr. K. L. Chowdhury to the recent general meeting of the Engineering Export Promotion Council dealt with this question comprehensively. Dealing with the achievements of the Council since its establishment two years ago, he pointed out that it had now been established that India would be a source of supply for a number of engineering goods and thus the foundation had been laid on which the future could be built with confidence. He also stated that exports during the first eleven months of 1957 had been higher than the total exports of the previous year. But the difficulties in the way of export promotion cannot be minimised. For one thing, there is the huge internal demand for these products and, secondly, in the face of keen competition in the international markets, the Indian exporter has no incentive to move out of the country. Mr. Chowdhury also listed a number of inhibiting factors such as in respect of prices and delivery that stood in the way of export promotion and commended for serious examination some of the valuable suggestions made by the Export Promotion Committee in this regard. Also worthy of study is his suggestion to start an Export Promotion Corporation to procure goods locally for exports in respect of several small items like metal artware, cutlery locks and brassware.

RUPEE OIL COMPANY: A SATISFACTORY ARRANGEMENT

THE FORMATION of the rupee oil company after protracted negotiations is a satisfactory arrangement for the successful exploration of the oil resources in the Nahorkatiya, Hugrijan and Moran areas of Upper

Assam. Much of the credit in this co-operative arrangement goes to the Burmah Oil Company which has shown a commendable spirit of adaptability. The offer on its part to advance a sterling loan to the extent of 10 million pounds to the Rupee Company to meet the foreign exchange content of the cost of the first stage of construction of the pipeline would meet considerably the financial difficulties of the Government. An important feature of the agreement between the Government of India and the Burmah Oil and Assam Oil Companies is the provision that preference would be shown to Indian technicians for employment in the new Company. In addition to the training programme which the Assam Oil Company is already carrying out, a further training of Indian personnel will be arranged between the Government of India and Oil India Limited (Rupee Oil Company). This is in consonance with the Government of India's anxiety to have a greater share and say in the exploitation of the nation's untapped oil bearing areas.

The new Company, Oil India Private Ltd., will be incorporated and registered in the State of Assam with an authorised capital of Rs. 50 crores, divided into 50,000 shares of Rs. 1,000 each. Two-thirds of the capital will be provided by the Burmah Oil Company Limited (of which the Assam Oil Company Ltd. is a wholly owned subsidiary), and one-third by the Government of India. The sum includes outlay on prospecting for oil and exploitation of known resources in Upper Assam as well as construction and maintenance of a pipeline to carry crude oil to Barauni, in Bihar, the site of one of the two projected State refineries. The assets of the Assam Oil Company in the newly discovered areas will be taken over by the new Company where 36 deep wells, most of them good producers of oil, have already been completed.

The most significant clause in the agreement, however, relates to the terms on which crude oil will have to be sold by the new Company to the refineries in the public sector. According to the terms "the delivery price of crude oil payable by each refinery shall be either the lowest price delivered at Calcutta at which such crude oil can be processed on the cost incurred by the Company together with a reasonable commercial return, whichever is less". Since such price is to be fixed by the Company with the approval of the Government of India, after examination of costs, it marks a decisive advance on the old attitudes. This should effectively disarm critics who still believe that the Oil Companies are not prepared to lower their prices. Given the spirit of accommodation it should not be difficult to arrive at price-fixing formulae beneficial to both the sides.

SMALL INDUSTRIES CORPORATION

THE SECOND report of the National Small Industries Corporation for the year 1956-57 now available is ample evidence that the Corporation is now getting into its stride. There was expansion in the activities of all the four divisions of the Corporation, namely, the Government Purchase, Marketing, Hire-Purchase and Industrial Estates. An important event during the year was the setting up of four regional autonomous corporations, one each at Bombay, Calcutta, Delhi and Madras to co-ordinate the activities of the various other organisations set up for development of small-scale industries. On the financial side the Corporation was able to show a surplus of Rs. 1.75 lakhs because of the net profit of Rs. 2.70 lakhs derived from the export of 2.5 lakhs pairs of shoes to Russia which made it unnecessary to fully utilise the grant of Rs. 11.53 lakhs received from the Government. The marketing service has been organised to assist small industries in marketing their goods and particularly to meet the

requirements of Government departments, large factories and big commercial concerns. As a result of successful negotiations with the D.G.S. & D., the largest Department of the Government in this respect, the procedure has now been streamlined for the participation of small-scale units in Government indents.

An important function assigned to the Purchase Division is the development of small-scale units as ancillary to large units since it has been recognised that a percentage of components and accessories, depending on the nature and type of the industry, can be produced up to the desired standard by small units at more economical cost. The Corporation has so far succeeded in getting over a dozen large factories to utilise small industrial units in this respect. Apart from this, through the establishment of more wholesale depots and its mobile van scheme, which has been further extended, the Corporation has been able to make headway in selling small industries' products. The Hire Purchase Division, which is in charge of supplying machines to small industrial units on easy hire-purchase terms, has demonstrated the great popularity of the scheme by the growing rate at which applications are now pouring in and it is expected that in the next two years machines worth over Rs. 3 crores or more per year may be given to the small industrialists on the hire-purchase system. For providing suitable factory accommodation to small-scale units, Government have now decided to set up Industrial estates in about 100 towns. These are the responsibilities of the State Governments but the Corporation has been entrusted with the construction and management of two of these, one at Okhla near Delhi and the other at Naini near Allahabad. Both these estates have now been completed and their utility has been proved by the rush of applications from small units for occupying the factories in the Estates and the decision to expand the Okhla estate further. Altogether the record of the Corporation is one on which it can take legitimate pride and not a little credit for this should go to its energetic Chairman.

INCREASED D.A. FOR BANK EMPLOYEES

THE RAISING of the dearness allowance payable to the clerical and subordinate staff in banks by one-seventh and one-tenth from January 1, 1958, particularly when it could be easily postponed till April, is, indeed, a sign of goodwill gesture on the part of the Indian Banks' Association and the Bombay and Calcutta Exchange Banks' Association to help their employees. About 60,000 bank employees would be benefited by this increase. The increase works out on an average from Rs. 4 for a subordinate to Rs. 10 for a clerk based on the estimated rise of more than 10 points in the all-India consumer Price Index Number for the second-half of 1957. As a result of this increase, it is calculated there would be an addition of Rs. 65 lakhs to the annual wage bill of the scheduled and exchange banks, amounting to Rs. 21.71 crores per year—Rs. 17.20 crores of the scheduled banks and Rs. 4.51 crores of the exchange banks.

It may be recalled the Bank Award directed an automatic adjustment of the dearness allowance on the basis of a rise or fall in the all-India Cost of Living Index. This in other words implies that if the average of the all-India Consumer price index number for each half year from January to June and July to December of each calendar year should rise or fall by more than 10 points over 144, the dearness allowance payable by the banks to the clerical and subordinate staff for the succeeding half year would have to be raised by one-seventh and one-tenth respectively. Although the figures for the half-year, July to December, would be available only in March, it is understood from the figures published for July, August and September, 1957, that the average will be more than 10 points above 144. It is to be trusted that this gesture which bank managements have made without insisting on technical evidence in terms of the Bank Award will be appreciated by

employees and help promote smoother relations between the two parties.

RAW MATERIALS FOR FOUNDRIES

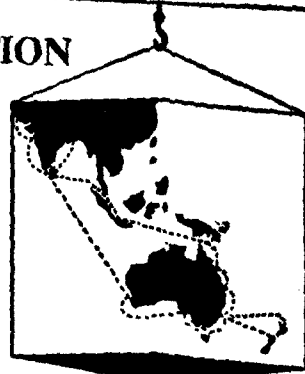
THE MOST critical situation that India at the moment is facing is of 'foreign exchange shortage'. Although drastic measures have been taken to overcome it by way of severe import restrictions, it is anticipated that 1958-59 would still be a difficult year in respect of foreign exchange. The difficulty arises on account of lack of adequate resources to meet liabilities due to outstanding commitments of imports and insufficiency of resources for the future needs of the country to fulfil the Plan. While import restrictions are essential in such a critical situation, they have been rather too severe on raw materials like pig-iron, and capital equipment needed so badly for the expansion of the foundry industry. This was stressed by Mr. K. L. Jalan in his presidential speech at the sixth annual general meeting of the Indian Foundry Association.

The foundry industry has not only been receiving insufficient allocation for the last several years, but there has also been irregular supplies. The result has been that the foundries interested in consuming high grade pig-iron have often had to accept low grade manganese pig-iron so uneconomical for the competitive development of the industry. Another difficulty of the industry has been the failure in the supply of scrap whose price in the market is said recently to have shot up from a level of Rs. 115 to Rs. 280 per ton. In order that regular supply should be available, it was important, Mr. Jalan suggested, that its source of supply from railways should also be controlled and the material distributed through the good offices of the Government.

Along with the raw materials, pig-iron and scrap, hard coke has also the same story to tell. The supply of it has been inadequate and irregular. The shortage in the raw materials is attributed to the inadequacy of transport facilities. Such being the case, Mr. Jalan points out, that it is high time accommodation was shown in the matter of wagon allotments particularly for the movement of coal and coke. If production in the engineering industry was not to suffer, it was paramount that the supply of pig-iron and hard coke be assured and speeded up.

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The Story of Oil—5

Mapping buried rocks

Geophysics, which is the science of the earth's physical structure, aids the search for petroleum by making it possible to study the characteristics of rock layers buried deep in the earth's crust.

The geophysicist's main "tools" for this job are the gravity meter, and magnetometer, and the seismograph. The gravity meter and the magnetometer, as their names imply, measure the pull of gravity and the magnetic force of the earth. For the sedimentary rocks which may contain oil are lighter than others, and they are less "magnetic" than the harder rocks which never contain oil.

With the seismograph, the geophysicist can measure the intensity and timing of earth tremors. The men of a seismic crew bore a shallow hole in the ground, lower a charge of dynamite into it and set it off. The shock waves produced by

this miniature earthquake travel down, hit the layers of rocks beneath and bounce back to the surface where they are recorded by the seismograph. The waves are reflected strongly from hard rock and less strongly from soft rock. The length of time they take to reach a particular layer and to return indicates the depth of the rock.

All this information is recorded in the form of wavy lines on a chart. By setting off explosions at a number of points it is possible to map the various buried rock formations with a fair degree of accuracy.

When all the results of a geophysical survey have been compared, it may be possible to locate a rock formation that might prove to be oil-bearing. But even if such a trap is found, the only way of proving whether or not it contains oil is by drilling a test well.



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Economic Report from the U.S.

CANDOUR, CONFIDENCE AND CONCERN

(BY GUY SIMS FITCH)

WASHINGTON, Jan. 21.—In an appraisal of President Eisenhower's economic report to the United States Congress this week, three key words stand out. They can be described as three C's — candour, confidence and concern. Government officials consider the report an outspoken document, one that gives a wholly candid account of the U.S. economic situation. This candour applies equally to 1957's record achievements in production, income and employment, and to the downturn which became evident late in the year.

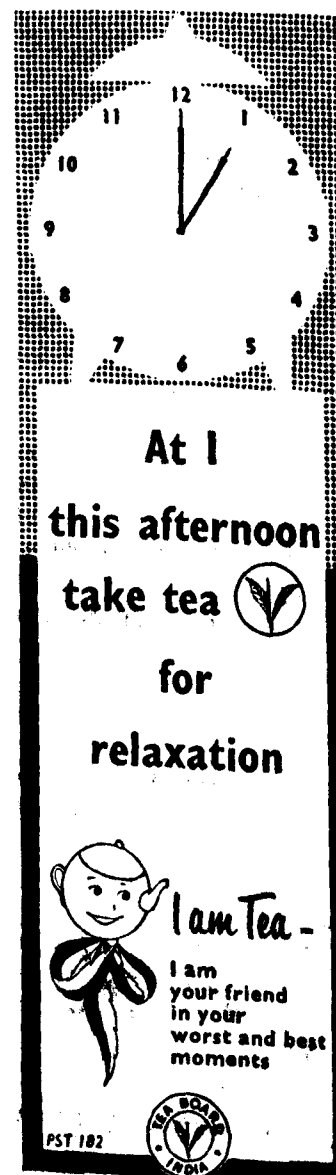
Yet, despite this recent moderate decline in activity, the report reflects the general confidence that the downturn will end in the near future, and that an upswing will be well underway before the close of 1958, beyond that, it paints a highly optimistic picture of the long-run future of the U.S. economy. But the President and his economic counsellors are not allowing this confidence to dim their concern with present conditions. Most particularly, they want to see not only an early resumption of economic growth, but a resumption that reflects real gains in the output of goods and services, not merely inflated price levels. In this regard, the report notes that a good part—though by no means all of 1957's gains were eaten by rising prices. As the report makes clear, most of 1957 saw growth forces at work which required restrictive government monetary and fiscal policies aimed at holding inflationary pressures in check.

The President's report itself offers no prediction on this score. But the view of most government experts is that the decline will hit its bottom during the second — possibly the third — quarter, and that its over-all impact will remain within moderate bounds. They point, as does the report, to many elements of strength in the economy. Despite the slight dip in plant and equipment expenditures, business spending for research and development is rising. Construction outlays, including home building, are going up. Personal incomes, despite the possibility of a slight increase in unemployment during the next few months, will remain high. State and local governments will continue to increase their expenditures for public facilities and services. To these must be added the so-called "built-in" stabilizers which have become part of the U.S. economic system. "Automatic" devices such as social security benefits, unemployment compensation for those temporarily out of work, minimum wage standards and others will help "cushion" the downturn. Finally, there is the important element of the government's "flexible" monetary and fiscal policies, which have been eased somewhat as inflation has ceased to be the dominant economic factor. The President's report makes it clear that there will be further easing if and when additional economic stimulants are needed.

In line with the concern for real growth, the report takes note of the need to resist measures that might spur economic activity at the cost of impairing the long-run health of the economy. It recognises that in a dynamic free enterprise economy, like that of the United States, growth is traditionally uneven. Thus, it says, government economic policy should be directed toward maintaining a long-term upward growth trend while holding fluctuations within a narrow range. It is in its appraisal of these long-term trends that the report is most confident. Historically, it noted the domestic U.S. market for goods and services has doubled every 25 years — a rate of expansion that should be equal or exceeded in the years to come. Behind this future growth, the report sees the great technological advances that will be opening up new

industries, new products, and new fields for investment and trade in the United States and around the world. In addition, a soaring population — expected to rise from the present 172 million to more than 200.89, in the next decades — will be creating more demand for goods and services. And it has been the American experience that a rising population means not fewer but more goods and services for the people, not low but high standards of living. Thus, in the last two decades, while the U.S. population has increased by some 40 million persons, per capita consumption has increased by more than 50 per cent.

Congress will now be making its own assessment of the economic situation, based largely on the President's report and on the testimony of prominent government and private economists. Hearings on the report are scheduled to open early next week before the Joint Congressional Economic Committee. Both the Presidential and Congressional Economic Reports are required by the Employment Act of 1946, which declared it to be government policy to help create conditions in which high levels of production, income and employment can be maintained. This type of close examination is itself an important factor in making sure that the U.S. economy continues to meet the need for real growth with reasonable stability — a need on which the President has placed so much emphasis.



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PST 182

January 24, 1958.

COMPANY AFFAIRS

THE PUNJAB NATIONAL BANK LTD.

The working of the Punjab National Bank Ltd., for the year ended December 31, 1957, shows that the Bank has made outstanding progress in deposits and profits and has again achieved record figures.

The deposits of the Bank as on 31-12-1957 exceeded Rs. 124 crores as against Rs. 106 crores on 31-12-1956 showing an increase of Rs. 18 crores.

Subject to audit, the net profit of the Bank for the year 1957, after making payment of Rs. 9.27 lakhs to Gratuity Fund Trust and providing for contingencies, amounts to Rs. 117.31 lakhs including Rs. 6.20 lakhs brought forward from the previous year's account, as against Rs. 90.20 lakhs which included Rs. 2.35 lakhs brought forward in the previous year. A sum of Rs. 8.75 lakhs has already been utilised towards payment of ad-interim dividend @ Rs. 2.50 nP. per share free of income-tax thus leaving a balance of Rs. 108.56 lakhs for further appropriation. The Directors have decided to make the following appropriations:

Provision for Income-tax	Rs. 50.00 lakhs
Transfer to Reserve Fund	22.50 "
Transfer to Bonus to Staff	18.00 "
Transfer to Charity	1.00 lakh

The Directors have further recommended to the shareholders that out of the balance of Rs. 17.06 lakhs a sum of Rs. 12.50 lakhs be paid as Final Dividend @ Rs. 2.50 nP. per share free of income-tax on its increased capital as on 31-12-1957 making a total distribution of 20 per cent per annum as against 16 per cent per annum for the last year. The balance of Rs. 4.56 lakhs is proposed to be carried forward to the next year's account.

DENA BANK

The net profit of Devkaran Nanjee Banking Co., Ltd. for the year ended December 31, 1957, after providing Rs. 1,60,000 for bonus to staff and including Rs. 2,13,141 brought forward from last year's account, amounts subject to audit, to Rs. 19,30,319. Out of this, the Directors have made the following appropriations:
To ad-interim dividend paid for the half-year ended June 30, 1957, at

the rate of 2½ per cent (5 per cent per annum) free of income-tax, i.e., Rs. 1-25 per share on 1,00,000 shares	Rs. 1,25,000-00
To Reserve Fund	5,00,000-00
To Investment Reserve	50,000-00
(Raising the Reserve Fund to Rs. 40,00,000)	
To Provision for Taxation	8,00,000-00
and proposed to appropriate the balance as under:	
To pay a final Dividend for the half-year ended December 31, 1957, at the rate of 3½ per cent, free of Income-tax, i.e. Rs. 1-75 per share, on 1,00,000 shares (making in all 6 per cent per annum for the whole year)	1,75,000-00
and to Carry Forward	2,80,319-54
TOTAL	Rs. 19,30,319-54

Comparative figures for 1956 and 1957 are also given for comparison.

	Year ended Dec. 1957	Year ended Dec. 1957
Reserve Funds	Rs. 40,00,000	Rs. 34,50,300
Total Deposits	Rs. 23,11,00,000	Rs. 19,35,00,000
Total Working Funds	Rs. 28,00,00,000	Rs. 24,50,00,000
No. of Accounts	1,32,000	1,20,000
No. of Branches	69	63
Dividend Declared	6%	6%

THE INDIAN OVERSEAS BANK LTD.

The net profit of the Indian Overseas Bank Ltd., subject to audit, for the year ended December 31, 1957 after providing for contingencies and expenses amounts to Rs. 35,01,749.14 including the sum of Rs. 2,52,286.41 brought forward from the previous year's account.

From this sum the Directors have made the following allocations: Provision for taxation Rs. 16,00,000, Transfer to Reserve Fund Rs. 7,32,200, Provision for bonus to staff Rs. 3,75,000. The Directors propose to recommend to the shareholders at the next General Meeting payment of dividend of 10 per cent Rs. 5,62,500 (free of tax). Rs. 2,32,049.14 are to be carried forward.

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COMMODITY NEWS AND NOTES

INCREASE IN PRODUCTION AND EXPORT OF VANASPATI

The production of vanaspati in India has gone up by about 40 per cent in the last three years. The production in 1957 was estimated at about 3.2 lakh tons, as compared with 2.56 lakh tons in 1956, 2.61 lakh tons in 1955 and 2.31 lakh tons in 1954. There are 46 vanaspati factories in the country. Of these 16 are in the western region, 12 in the southern region and nine each in the eastern and northern regions. Since December, 1953, all vanaspati factories are statutorily required to fortify their product with synthetic vitamin 'A'. A number of measures have been taken by the Government of India to stimulate exports of vanaspati. Rebate of excise duty on the vegetable oil content of vanaspati is being given on its export, in addition to the refund of excise duty on vanaspati itself. No export duty is levied on vanaspati. There has been a rising trend in the export of this commodity. In 1956-57, exports amounted to 11,150 tons valued at about Rs. 2.06 crores as against 900 tons in 1953-54 valued at Rs. 21 lakhs. The exports were of the value of Rs. 1.75 crores in 1955-56 and about Rs. 1.48 crores in 1954-55. The domestic consumption of vanaspati was estimated at 2.53 lakh tons in 1956-57. Indian vanaspati is exported to a number of countries which include, countries in West Asia, Burma, Pakistan, the United Kingdom, Aden, Australia, Malaya, Singapore and the Fiji Islands.

STANDARD SPECIFICATION FOR DIELDRIN

An Indian standard specification for dieldrin, technical IS: 1052-1957 has been published by the Indian Standards Institution. Dieldrin, technical is a comparatively new entrant in the field of pest control chemicals and is gaining importance. The standard has been prepared to facilitate the supply of the material of a quality most suited to tropical and sub-tropical conditions. In the standard, requirements has been specified for moisture, concentration of the active ingredient, total organic chlorine content, etc. as also the method of packing and marking. Methods of test have been specified to verify conformity with the requirements. In order to ensure that the sample taken for test is truly representative of the consignment, a method of sampling, based on statistical considerations has also been specified. Copies of this standard are available from the Indian Standards Institution, Manak Bhavan, 9 Mathura Road, New Delhi-1, and also from its branch offices at 40/40A, Cawasji Patel Street, Fort, Bombay-1; P-11, Mission Row Extension, Calcutta-1; and 23 Nungambakkam High Road, Madras-6.

COFFEE ALLOCATION FOR EXPORT SALE

The Coffee Board has decided to sell for export 7,903 tons of coffee from the 1957-58 crop, compared with a final allocation of 15,155 tons from the crop in the previous season. The lower allocation for export sale was made in view of the smaller coffee crop forecast of 37,000 tons for the current season, compared with 42,000 tons in 1956-57. Rising internal consumption was also a contributory factor. Out of the total allocation for export sale during the current season, plantation will account for 5,294 tons and Arabica Cherry for 2,609 tons. According to present estimates, there is no surplus Robusta available for export. The first export sale of coffee, which was proposed to be held in early January, has been postponed to the first week of February due to delay in curing. The sale will consist of about 500 tons of Plantation coffee. The total release of coffee in the internal market during 1957 amounted to 26,230 tons, compared with just under 23,800 tons in the previous year. Consumption in the country last year showed an increase of over 10 per

cent above the offtake in 1956 and 17 per cent above that of 1955.

JUTE PRODUCTION

The production of jute for 1957-58 has been estimated at 4,088,000 bales of 400 lbs. each and area 1,754,000 acres. These figures for the all-India final estimate of jute for the current year have been given by the Directorate of Economics and Statistics, Ministry of Food and Agriculture. The all-India average yield per acre was 932 lbs. in 1957-58, against the corresponding figure of 899 lbs. for 1956-57. The highest average yield of 1,254 lbs. per acre was recorded by Assam, the previous year's figure being 1,182. The Union Territory of Tripura, West Bengal and Orissa also showed increased yields per acre in 1957-58 over last year, the figures being Tripura 1,158 and 1,086; West Bengal 964 and 812; and Orissa 885 and 805 lbs. In terms of bales of 400 lbs. the average per acre figures for 1957-58 and 1956-57 on an all-India basis were 2.33 and 2.25 respectively. Similar figures for Assam were 3.14 and 2.96; Tripura 2.90 and 2.72; West Bengal 2.41 and 2.03; and Orissa 2.21 and 2.02 bales. Despite the increases in yields in these areas, there was a fall in total production and acreage since 1956-57.

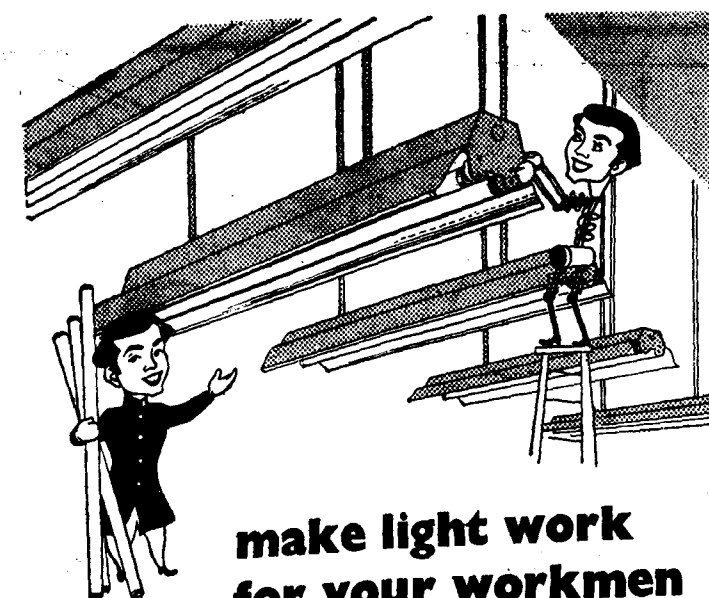
The final estimate figures for 1956-57, according to this source, were 4,288,000 bales and 1,908,000 acres, showing a fall in production by 4.7 per cent and acreage by 8.1 per cent during the year. This adverse trend was due to drought conditions which occurred in Bihar and, to a lesser extent, in Uttar Pradesh during the sowing and growing period of the crop, affecting both yield and area. The average yield in Bihar declined from 830 lbs. per acre in 1956-57 to 652 in 1957-58; and in Uttar Pradesh from 1,121 lbs. to 879 lbs.

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CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITIES PRICES

		Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
		Food Articles	Indus. Raw Materials	Semi-manu- factured Articles	Manufac- tured Articles	Miscel- laneous	General Index	Govt. and Semi- Govt.	Deben- tures	Prefer- ence	V. D. I.
1947-48	..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49	..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50	..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51	..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52	..	398.6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53	..	357.8	436.9	343.8	371.2	614.1	380.6	89.7	100.6	87.3	95.0
1953-54	..	384.4	467.7	359.2	367.4	686.6	397.5	89.8	100.7	88.4	113.6
1954-55	..	339.8	436.2	350.3	377.4	612.4	377.4	90.0	100.8	87.3	121.6
1955-56	..	313.2	419.8	338.2	372.9	546.4	360.4	90.0	100.1	82.9	121.2
1956-57	..	388.5	501.9	402.3	384.6	559.3	414.0	..	..	..	..
January 1957	..	392.1	595.0	412.4	387.4	592.7	422.3	89.7	99.0	80.4	113.7
February	..	406.0	620.5	410.6	385.5	585.2	425.0	89.8	99.0	79.8	113.6
March	..	402.7	518.1	403.3	384.1	569.6	421.3	90.0	99.0	78.6	106.9
April	..	408.3	514.7	400.0	384.3	567.1	422.1	89.9	99.0	78.6	106.9
May	..	419.3	536.3	408.5	387.7	572.3	431.2	89.9	99.1	78.4	104.5
June	..	433.2	541.4	413.0	392.4	578.0	439.2	89.5	99.0	77.6	102.6
July	..	439.8	544.4	413.3	392.3	637.1	443.5	89.2	98.7	76.7	105.5
August	..	440.9	530.6	411.2	392.7	643.3	441.8	89.0	98.8	75.6	103.1
September	..	424.1	525.3	409.1	394.7	644.0	435.9	89.0	98.0	74.0	99.3
October	..	412.1	534.3	406.1	394.5	646.9	432.8	89.0	97.7	73.6	97.4
November	..	419.5	535.2	406.7	391.0	660.6	434.7	89.1	97.7	73.3	98.7
December	..	406.3	508.2	400.1	388.9	677.4	425.0	89.1	97.6	72.5	97.2
14-12-1957	..	412.7	513.0	400.9	389.4	680.3	428.2	89.1	97.8	72.8	98.0
21-12-1957	..	402.8	506.7	399.3	388.6	677.0	423.4	89.1	97.7	72.6	96.6
28-12-1957	..	397.0	502.5	398.9	388.3	671.1	420.6	89.1	97.3	72.0	95.9

† Average of weeks.

Revised*

†† Reserve Bank Series.

† Economic Adviser's Series.

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

period	Bombay			Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934 =100	Ahmeda- bad July 1927=100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	108	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	312	257	132	349	434	372	153	325	165	145	139
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	218	130	321	371	364	133	321	134	135	132
1956	336	352	244	142	347	424	397	151	356	152	146	145
1957 February	340	356	253	151	350	438	412	158	369	157	148	148
March	339	355	254	151	348	433	414	158	367	158	148	148
April	339	355	256	148	345	427	415	162	369	161	152	148
May	346	362	257	151	352	441	420	163	369	157	156	150
June	352	368	259	152	371	446	423	168	373	159	156	153
July	358	374	263	152	371	459	424	165	375	159	164	155
August	359	375	265	155	398	468	427	163	373	157	166	156
September	357	373	262	149	394	464	426	160	372	156	167	155
October	356	372	260	148	391	459	429	—	375	155	166	153
November	367	383	265	145	—	—	—	—	391	—	—	—
December	—	—	—	—	—	—	—	—	390	—	—	—

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	10-1-1958			3-1-1958			27-12-1957			20-12-1957		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola) ..	109.62	108.25	109.01	108.31	107.75	108.07	108.72	107.81	108.41	108.87	108.31	108.64
Silver (per 100 fine tolas)	189.37	186.37	187.72	187.25	186.25	186.69	187.06	185.00	186.17	185.81	182.61	183.96

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INDEX NUMBERS OF COST OF LIVING AND WHOLESALE PRICES IN FOREIGN COUNTRIES (Monthly averages or calendar months) (Base 1953=100)

	Cost of Living			Wholesale Prices		
	Japan	U.K.	U.S.A.	Japan	S. A.	U. K.†
1950	77	81	90	70	94	85
1951	89	89	97	97	104	100
1952	94	97	99	100	101	102
1953	100	100	100	100	100	100
1954	106	102	100	99	100	100
1955	105	106	100	98	100	104
1956	108	112	102	102	104	108
1956 July	105	112	102	104	104	108
August	108	112	102	104	104	108
September ..	108	112	102	104	105	109
October	107	112	103	104	105	109
November ..	106	113	103	105	105	109
December ..	107	113	103	106	106	110
1957 January ..	108	114	103	106	106	110
February ..	109	114	104	106	106	110
March	109	114	104	106	106	111
April	110	114	104	106	106	111
May	110	115	105	106	106	111
June	110	116	105	105	107	111
July	110	117	106	104	107	112
August	111	117	106	104	108	112
September ..	110	116	106	104	107	112
October	—	—	106	104	107	112

Source: U.N. Monthly Bulletin of Statistics.

† Manufactured goods only.

LATEST CROP ESTIMATES

LATEST CROPS						
Crop	Estimate	Area		Yield		
		Acres ('000)	Increase + or decrease — over the corresponding estimate of the previous year (per cent)	Tons ('000)	Increase + or decrease — over the corresponding estimate of the previous year (per cent)	
Food grains:						
	Final	1956-57	78,174	+1.7	28,142	+4.8
	Final	1956-57	32,891	+8.2	9,068	+5.8
Rice	Final	1956-57	41,314	-3.7	7,427	+12.5
Wheat	Final	1956-57	27,542	-1.7	2,926	-13.4
Jowar	Final	1956-57	9,244	+1.4	3,020	+18.2
Bajra	Final	1956-57	5,674	-0.3	1,914	+5.2
Maize	Final	1956-57	23,990	-0.7	5,930	+11.2
Ragi	Final	1956-57	5,696	+1.0	2,047	+11.9
Gram						
Tur						
Oilseeds						
i. Edible—						
	First	1957-58	3,669	-4.8	—	—
	First	1957-58	9,895	+9.4	—	—
Sesamum	Final	1956-57	6,211	-1.7	1,017	+19.9
Groundnut						
Rape & Mustard ..						
	Final	1956-57	3,758	-0.6	349	-15.7
ii. Non-edible	Final	1956-57	1,405	-0.2	129	+4.0
Linseed						
Castorseed						
	First	1957-58	14,616	+0.4	—	—
Fibres:	First	1957-58	1,473	-9.9	—	—
Cotton	First	1957-58	738	+29.0	1,474*	+27.2
Jute	Final	1956-57				
Wool						
	</					

Source: Ministry of Food and Agriculture.

* Bales.

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash Notes + Coins	Balances with Reserve Bank	(5 + 6) as percent- age of (4)	Advan- ces	Bills Discount- ed	(8 + 9) as per- centage of (4)	Invest- ments in Govt. Securities in India
	Demand	Time	Total (2 + 3)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1938-39*	123.81	103.30	227.11	6.38	15.88	9.80	111.34	460	51.05	
1948-49	674.56	303.88	978.44	37.51	76.63	11.67	424.85	16.44	45.10	
1949-50	597.79	272.59	870.38	34.47	65.85	11.53	426.74	15.35	50.79	
1950-51	599.13	278.45	877.59	34.68	60.78	10.88	447.03	11.87	52.29	
1951-52	593.73	290.82	884.55	37.33	57.29	10.70	523.59	22.81	63.06	303.48
1952-53	546.23	309.26	855.49	33.33	51.82	9.95	461.64	38.47	60.48	306.34
1953-54	526.75	328.26	855.00	31.97	44.48	8.98	442.79	51.40	59.56	321.29
1954-55	559.62	351.86	911.55	32.66	53.91	9.50	468.39	84.66	60.68	339.74
1955-56	608.64	407.95	1,016.59	34.64	52.52	8.69	514.37	118.08	63.02	370.71
1956-57	653.34	453.92	1,107.26	36.94	50.23	7.96	626.08	155.56	71.39	359.35
Average of Fridays										
June 1957	715.22	547.21	1,262.43	41.39	67.44	8.72	744.73	181.73†	74.24	335.02
July	724.80	562.69	1,287.49	39.62	80.45	9.47	720.06	170.44†	70.97	332.44
August	712.19	582.65	1,294.84	38.83	88.01	9.96	696.16	174.44†	68.33	350.31
September	717.51	612.48	1,330.06	37.18	95.37	9.97	678.01	163.06†	63.24	378.43
October	734.45	629.75	1,364.19	43.57	92.51	9.97	688.88	166.41†	62.70	387.76
November	736.94	658.87	1,395.81	38.92	102.38	10.12	685.52	161.98†	60.72	407.16
December	716.73	683.20	1,399.93	38.83	72.31	7.94	698.55	149.07†	60.53	431.33
Week Ending										
29-11-1957	722.68	672.46	1,395.14	38.26	106.41	10.36	685.10	154.88†	60.21	408.82
6-12-1957	714.21	678.55	1,392.76	39.31	77.65	8.39	690.04	152.47†	60.49	427.69
13-12-1957	720.24	682.65	1,402.89	39.30	73.46	8.03	692.85	148.62†	59.98	432.01
20-12-1957	711.47	684.06	1,395.53	37.87	70.51	7.75	698.48	149.19†	60.61	432.65
27-12-1957	718.01	687.54	1,405.55	38.84	67.61	7.57	712.03	146.00†	61.05	432.96

* Undivided India.

† Including foreign bills purchased and discounted.

MONEY SUPPLY IN INDIA

(Lakhs of rupees.)

Last Friday	Money supply with the public	Total currency with the public	Deposit money with the public			Total variations in money supply*
			Total	Demand liabi- lities of banks	Other deposits with Reserve Bank†	
(1)	(2)=(3)+(4)	(3)	(4)	(5)	(6)	(7)
1952-53	1,764.71	1,199.25	565.46	548.95	16.51	—39.08
1954-55	1,920.63	1,311.77	608.86	599.16	9.71	+263.66
1955-56	2,184.32	1,505.09	679.23	667.22	12.01	+126.57
1956-57	2,312.89	1,556.50	756.39	744.74	11.65	
November 1956	2,151.46	1,462.01	689.45	677.99	11.46	+28.46
December	2,178.65	1,485.34	693.31	681.35	11.96	+27.19
January 1957	2,220.47	1,509.90	711.57	724.46	10.77	+42.82
February	2,264.55	1,526.31	738.24	744.74	11.78	+43.08
March	2,312.89	1,556.50	756.39	763.43	11.65	+48.34
April	2,362.37	1,586.44	775.93	762.01	12.51	+49.48
May	2,381.99	1,596.43	785.55	781.10	23.55	+19.62
June	2,314.04	1,562.85	751.19	758.55	22.64	—37.95
July	2,307.41	1,522.11	785.30	763.41	21.89	—36.63
August	2,237.92	1,490.78	747.14	735.72	11.42	—89.40
September	2,233.79	1,491.00	742.79	729.99	12.81	—4.13
October	2,243.73*	1,497.00*	746.73*	722.16*	14.56	+49.94*
November	2,252.47*	1,498.23*	754.25*	741.13*	13.12	—31.26*

* Provisional.

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

Source: Monthly Bulletin of Reserve Bank.

RESERVE BANK OF INDIA
ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSET						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coins and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1938-39*	182.36	28.28	210.64	44.42	66.95	111.37	52.91	67.11	32.16	210.64
1948-49*	1,231.84	22.02	1,253.86	42.49	907.47	949.96	75.43	42.96	265.62*	1,253.86
	(5.58)	(—)	(5.58)					(90)		(5.58)
1949-50*	1,128.94	24.00	1,152.94	40.02	647.04	687.06	59.59	50.53	415.36	1,152.94
1950-51*	1,163.21	17.19	1,180.40	40.02	624.70	664.72	56.31	57.21	458.47	1,180.40
1951-52*	1,189.84	27.78	1,217.62	40.02	625.27	665.29	54.64	63.98	488.36	1,217.62
1952-53*	1,114.84	27.87	1,142.72	40.02	604.02	644.04	52.89	80.22	458.08	1,142.72
1953-54*	1,133.95	23.03	1,156.97	40.02	594.02	634.04	54.80	92.83	430.11	1,156.97
1954-55*	1,198.19	22.98	1,219.18	40.02	648.81	688.83	56.58	102.26	428.09	1,220.18
1955-56*	1,339.39	17.08	1,356.47	40.02	666.52	706.54	51.35	106.87	553.06	1,356.47
1956-57*	1,475.77	18.75	1,494.52	44.42	545.61	590.03	39.97	113.61	755.22	1,494.52
				(117.76)		(663.37)	(44.37)			
Average of Fridays										
May 1957	1,582.22	17.53	1,599.75	117.76	412.52	530.28	33.35	125.60	943.87	1,599.75
June	1,567.48	29.03	1,596.51	117.76	412.52	530.28	33.28	125.17	941.06	1,596.51
July	1,527.79	34.84	1,562.62	117.76	406.52	524.28	33.55	127.54	910.81	1,562.62
August	1,495.65	30.71	1,526.37	117.76	369.52	487.28	31.92	131.22	907.87	1,526.37
September	1,477.66	36.41	1,514.07	117.76	338.60	456.36	30.14	133.62	923.89	1,514.07
October	1,487.74	26.43	1,514.17	117.76	317.92	435.68	28.78	133.92	944.57	1,514.17
November	1,481.61	32.86	1,514.47	117.76	293.14	410.90	27.13	134.22	969.35	1,514.47
December	1,508.32	14.69	1,523.01	117.76	278.95	396.71	25.28	132.76	993.53	1,523.01
Week Ending										
4-11-1957	1,470.44	44.12	1,514.56	117.76	311.71	429.47	28.36	134.31	950.78	1,514.56
6-12-1957	1,509.25	13.63	1,522.89	117.76	280.19	397.95	26.13	132.64	902.29	1,522.89
13-12-1957	1,512.62	10.02	1,522.64	117.76	280.19	397.95	26.14	132.39	902.29	1,522.64
20-12-1957	1,504.60	18.58	1,523.18	117.76	280.19	397.95	26.12	132.93	902.29	1,523.18
27-12-1957	1,506.79	16.62	1,523.31	117.76	275.23	392.99	25.80	133.06	907.26	1,523.31

BANKING DEPARTMENT

(Rs. Lakhs)

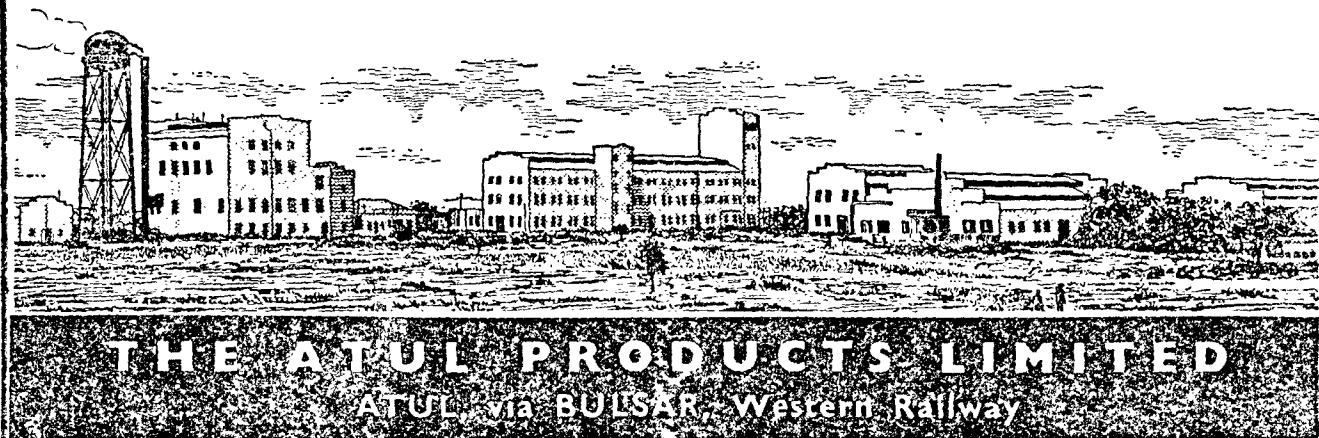
PERIOD	DEPOSITS					Other Liabilities†	TOTAL LIABILI- TIES & ASSETS**	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Banks	Others	Total									
1938-39* ..	14.90	..	16.19	75	31.84	1.28	43.12	28.38	1.53	4.21	1.72	2	6.36	90
1948-49* ..	222.17 (14.33)	16.93 (3.04)	80.53	56.52	393.72	15.33	419.05	22.12	4.28	307.78	1.71 (1)	3.34	75.65	4.14
1949-50* ..	141.19	23.12	67.00	64.39	295.69	15.76	321.45	24.12	4.30	280.91	3.35	8.39	960.54	4.34
1950-51* ..	148.60	17.71	62.22	62.29	290.82	8.14	318.97	17.31	3.04	107.70	2.37	6.77	76.72	5.06
1951-52* ..	181.30	15.95	58.68	69.22	325.15	18.62	353.77	27.92	6.31	187.14	5.90	19.42	95.19	11.91
1952-53* ..	136.40	7.79	52.89	61.93	259.02	33.69	292.71	28.03	6.64	133.56	2.85	19.03	89.77	12.63
1953-54* ..	105.44	23.40	46.52	57.45	232.80	13.91	266.72	23.22	9.46	123.31	1.78	19.84	81.58	7.61
1954-55* ..	89.13	20.66	55.20	36.29	201.28	33.62	234.90	23.24	6.10	87.53	1.14	26.55	80.52	9.82
1955-56* ..	60.11	19.85	53.77	18.31	152.04	45.59	197.64	17.21	9.78	66.96	1.73	36.99	49.36	15.61
1956-57* ..	57.52	14.10	52.46	19.73	143.81	101.21	246.92	18.91	5.69	64.77	4.89	85.34	57.82	13.60
Average of Fridays														
May ..	52.89	4.38	63.37	83.53	204.18	152.64	366.82	17.67	4.45	64.50	18.91	111.31	134.35	13.62
June ..	53.09	3.29	71.77	42.40	240.55	153.86	404.41	29.16	3.82	46.96	21.53	98.02	188.36	13.57
July ..	53.64	2.79	86.56	149.26	292.27	120.01	422.28	34.97	3.10	29.21	26.99	74.82	241.04	12.16
August ..	55.46	7.39	90.60	126.86	290.31	121.20	421.51	30.84	3.38	20.94	31.46	81.90	244.50	8.50
September ..	51.52	7.96	101.67	110.31	271.46	124.16	405.61	36.49	5.99	27.33	42.96	68.80	211.07	12.99
October ..	51.93	7.91	98.04	112.25	269.12	131.59	410.71	26.53	3.04	18.34	49.26	72.21	223.35	17.98
November ..	52.89	8.94	104.79	110.91	277.53	133.06	420.59	33.00	2.28	24.37	41.23	58.22	244.15	17.35
December ..	57.64	8.22	75.00	115.07	255.94	133.52	399.46	14.80	4.78	24.38	36.07	55.13	245.08	16.22
Week Ending														
1-11-1957 ..	53.81	9.60	108.77	111.36	283.54	133.34	425.89	44.25	3.59	16.07	49.51	63.08	230.76	18.62
6-12-1957 ..	56.63	6.74	78.50	116.05	257.92	132.15	400.07	13.72	3.64	28.33	35.24	49.81	252.84	16.50
13-12-1957 ..	55.53	4.97	76.38	115.41	252.30	132.68	394.97	10.15	6.39	24.38	37.61	51.92	248.02	16.51
20-12-1957 ..	64.87	8.16	74.44	115.11	262.59	132.02	404.61	18.70	6.40	22.38	36.10	58.76	246.34	15.63
	52.54	13.01	70.69	113.70	250.93	137.24	398.18	16.63	2.70	22.42	35.03	60.04	245.12	16.23

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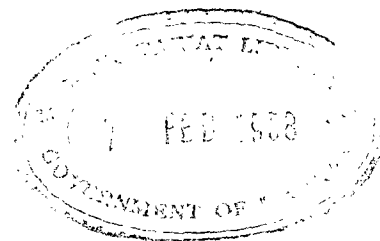
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CHEMICALS

PHARMACEUTICALS



Printed and Published by Devi Prasad Sharma at the Hindustan Times Press,
for "The Eastern Economist" Ltd., 52, Jan Path New Delhi. Editor:—E. P. W da Costa, M. A. (Oxon.)



The 'Blue Supplement', which should have been released with this issue is now scheduled to be sent alongwith the issue of February 7, 1958. The next 'Blue Supplement', that for February, will be on Budget and it will be made available in the month of March next.

The Eastern Economist

XXX. NO. 5.

NEW DELHI: JANUARY 31, 1958.

ONE RUPEE

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Food Self-Sufficiency: An Eight-Point Attack

NOTWITHSTANDING the excursions and alarms relating to the sensational Life Insurance Corporation Inquiry, food is still the nation's me challenge. We are slowly—still all too slowly—recognizing the seriousness of our food problem. As the resolution both in the National Development Council and at Gauhati make clear, big issue remains bluntly before us: are we going to shape the realistic, hard-hitting programme necessary to achieve food self-sufficiency within the remaining three years of the Plan? Resolutions are good only when they are backed by action; action can beget results only when there is movement in the right direction and from the proper frame of reference. We can achieve self-sufficiency in food, but only if there is a general national awakening, a mobilization of thought and resources from the highest official to non-official levels in the Centre and in every State and District down to the farmer in the fields.

The first step in this mobilisation is the shaping of a realistic, nationwide and business-like programme for food production. There is urgent need to cut through the haze of sentimental and wishful thinking about the Indian farmer, and how he can be helped to raise bigger and better

crops. Let us face the fact that the production of food is a business and that a programme to increase food production must be dealt with on a business-like basis. Viewed thus, India's food problem has many aspects, all of which must be approached simultaneously and in co-ordination one with the other. Its obvious and well known elements can be put very briefly and simply: firstly, the village farmer today is by and large following traditional farming methods that have been handed down from past generations. Secondly, these methods are almost wholly inadequate, producing some of the lowest crop yields in the world. Thirdly, if India's food production is to be stepped up, the village farmer must leave off these old unproductive methods and accept improved farm practices. These traditional methods, however bad, have the advantage to the farmer of giving him security. He knows from past experience that, by using these traditional practices, he will get year after year a fairly sure return, be it ever so poor. To shift quickly from his traditional practices to improved untried, appears to him like moving from security to insecurity, from the known to the unknown. Again, when the farmer is asked to accept and adopt improved practices, he is being asked at the same time to invest what

for him is substantial capital. Improved seeds, fertilizers, insecticides, improved implements, and minor irrigation, cost money. For the vast majority of cultivators who live on the edge of survival, this money will have to be borrowed.

Common sense reasons that the village cultivator will change from old to improved practices and risk or borrow money to do so, only if he has assurance that he can get a reasonable price for his produce. The fall in farm prices in the bumper harvest years of the first Plan period is a vivid recent memory. He knows little to nothing of present inflationary pressures and the national food shortage. The only price assurance he will understand and trust is a governmental guarantee on the sale of his crops. This does not mean the fixing of farm prices. The need is for a floor under farm prices to remove from the cultivator the risks he will be asked to take in investing in improved seeds, implements, insecticides, fertilizers, irrigation, and the like.

The prospect that this price guarantee will be costly to the Government is remote. It is doubtful, with the certain food shortages ahead of us, that any actual payments need be made. In India's situation, there can be no parallel with the United States' problems of food surplus. Any possible surplus resulting from a price floor would be manageable, temporary and to the national advantage. A programme of price guarantees takes for granted, of course, granary and warehousing system which can store temporary crop surpluses as well as food imports. Food held in these warehouses, will not, as in the US, loom as a drain upon the Government, but constitute a national asset, money in the bank.

To help the farmer finance the shift from traditional to improved practices, he must be provided credit on the basis of his production potential. Today not more than 10 per cent of the cultivators can qualify for the present forms of institutional credit based on security guarantees. Unless credit is provided on the basis of production potential—that is on the basis of the crops he can produce, of the harvest anticipated—the great majority of the cultivators simply cannot buy the recommended improved seeds, fertiliser, insecticides, improved implements and invest in minor irrigation schemes.

A realistic vigorous approach to land reform is essential in a dynamic and business-like food production programme. The pace of present land reforms is bad not only in being too slow. It is keeping both the large and small farmer in the grip of uncertainty, and it is condemning both to inefficient food production methods. Today, the larger land holder lacks security of ownership, and, as a result, he is discontinuing further expenditure on farm improvement and development. He simply doesn't know where he stands and at what moment his land area might be reduced. The tenant also lacks security of tenure; without it, he cannot afford to invest in minor irrigation and other improvement programmes. Further, the present fragmented land holdings make it well nigh impossible, physically or financially, for either large or small holders to use irrigation or scientific farming methods to the fullest advantage and extent.

There is at present virtually no rural distribution system which gets improved seeds, insecticides, fertilizers and implements to the villages, in time and in large enough quantities. Reports of "too little" "too late" are constant. Urgent and far-reaching steps must be taken to set up such a system that will put the improved supplies the farmer needs within at

least a bullock cart's hauling distance of his fields, and at the right time in the sowing season. A special problem is how to set up a reliable network of seed multiplication farms for improved seed varieties, and of ware-housing facilities to store them.

The evidence is ample that we are not using to the full all the water and irrigation resources that are even now available for increasing food production substantially. This is partly because neither the canals nor the fields are prepared for irrigation waters from completed projects and partly because the farmers themselves have not been educated in time on the methods of wet farming. And it is partly because we have shortsightedly given repayment of project costs via high water rates a priority over increased food production. Intensive wet cultivation methods and liberal water rates are essential as more and more major irrigation projects are beginning to feed new areas and make it possible for farmers to shift from one insecure monsoon-fed crop to two secure irrigated crops a year.

The success of all of the five steps so far given is directly dependent on extensive education of the village farmer through the Community Development programme. In this task the Community Development programme must put first things first. The Community Development staff must take as the major focus of its effort, the change-over of traditional unproductive village farming methods to improved practices.

Each development block, each circle of villages in a village worker's care, each village should concentrate on the adoption of the following practices on every piece of cultivated land: use of improved seeds; green manure and composting; maximum use of all types of irrigation; improved sowing and cultivation methods; use of commercial fertilizers wherever possible, especially on irrigated lands; use of insecticides; cultivation of every available piece of land should be put to production use. Every acre of irrigated land should be put to double cropping where possible.

Another step is for the Centre and State Ministries of Agriculture to reorient, systematically and deliberately, their administrative structures, and their old bureaucratic procedures held over from an earlier day when agriculture had a regulative and revenue bias. Agriculture Ministries and Departments must select and adopt, at the earliest possible moment, business-like methods of giving financial support for developmental programmes.

Finally, there remains the need to mobilize on a massive national scale, all the nation's resources available for food production. Every resource — political, financial, administrative — must be used. Political parties and their active members in village and District must reassociate themselves with the people, this time leading a movement to free the nation from its bondage of poverty. As farm credit is liberalized to accept crops as security, all the nation's credit resources must be mobilized, and new methods worked out to get the credit to the villages. A national educational programme must be launched to urge and help people conserve every type of water and to make the maximum use of the water available. Programmes on use of green manure, compost, and night soil, must be launched. Land consolidation programmes must be intensified. Key villages must be selected and helped to take on the task of reproducing the improved seeds in adequate quantities. Finally the people themselves—the farmers in the village fields—must be caught up in the new national awareness of the nation's urgent food problem.

An Unhelpful Assessment

ONE of the two problems which the Planning Commission's Panel of Economists was called upon to examine at its meeting last week was the rephrasing of the Plan. It would be bold to rush to the conclusion that the Government and the Planning Commission will find themselves wiser for the advice tendered by the economists. The very nature of the problem placed before them, and much more significant, the real purpose of the reference, necessitated a businesslike approach to a practical issue which involves recommendations of immediate applicability in fixing priorities for the projects in the Plan. The Panel had the benefit of the Planning Commission's statement setting out the lines on which it was considering how to modify the Plan and what shape to give to the process of rephrasing. There is little evidence that the required approach was brought to bear on the investigation. Instead, the members of the Panel have deemed it their duty to re-affirm their conviction that the original targets cannot be considered over-ambitious, overlooking the obvious fact, at least in the present context, that the overriding criterion is the correlation between the available resources and the contemplated targets. More surprising is their finding which purports to attribute the difficulties into which the Plan has run primarily to organizational shortcomings.

The Panel has recorded its conclusion that a Plan involving an outlay of Rs 4,800 crores at current prices should prove feasible. Implementation of a modified Plan of this magnitude is, of course, contingent on certain requirements. External assistance to the extent of a minimum of Rs 700 crores ought to be forthcoming and internal resources must be mobilised to match it on the requisite scale. In effect, the Panel has endorsed the view now generally accepted that energies must be bent on fulfilling at least the core of the Plan. On the two components of the financial outlay, however, it has expressed views which will not necessarily bear warrant. It is dogmatic in its belief that the rate of domestic savings that will possibly be required for such an investment cannot be regarded as high. This dogmatism fails to take proper note of the impact of the new tax measures adopted in the first two years of the Plan and of the price trends. The Panel's scepticism about the availability of external assistance of the order of Rs 700 crores betrays excessive conservatism. The American loan of \$225 million announced this month, reasonable certainty of similar assistance in the remaining years and probably more from this source, credits from other countries and World Bank loans for specific projects should inspire confidence that the core of the Plan can be taken as underwritten.

It should be a cause for encouragement that the Panel has refrained from taking an alarmist view of the inflationary potential generated by the implementation of the Plan so far and stressed the counter-acting effect of the balance of payments deficits on it. It is by no means essential, as the Panel has emphasized, to keep the apparatus of integrated controls in readiness to curb inflation. While controls may be expedient as in the case of food grains in the short run, the boomerang effect of physical controls as a long-period technique to promote development programmes cannot be ignored. Judicious regulation of investment should suffice to prevent strains on the economy endangering its stability.

The most secure defence against inflation is production and it is right that allocation of resources for investment should be directed mainly to projects which are productive in the short period. Having arrived at this diagnosis, the Panel rests content with prescribing the remedy of a utilitarian approach to allocation of limited resources. It does not specify how and where it is to be applied. If discipline in outlay is to be enforced in both the sectors to secure utmost economy, it does not indicate which of the capital-intensive and slow-yielding heavy projects in the public sector are to be put off. What the Planning Commission or the Government can make out from the Panel's exhortation to abandon all postponable expenditure is best left to conjecture. An explanation of this failure to come to grips with the problem is perhaps to be found in the Panel's own observation that it had not the necessary time to scrutinise closely the relevant material bearing on the progress of the Plan in its different components and the imbalances which have emerged or are likely to emerge in the economy.

The analysis of import policy in relation to industrial development misses the crucial point that the Panel was expected by and large to suggest positive remedies which would achieve concrete results in the form of maximising the use of foreign currency in the remaining three years of the Plan. The Panel has referred with emphasis to the assembly stage in industrial development. It is inevitable in a wide range of manufactures in a backward economy. The relevant issue is whether this stage has been prolonged unduly in any particular lines of production programmes included in the Plan. The Panel's caution against spreading development activity in too many directions as envisaged in the Plan and its advocacy of concentrating investment programmes in a few selected lines are perfectly understandable. But the entire discussion of this subject has been obscured by digression into the issue of import-based versus domestic-based production. Many of the industrial programmes entail large imports of components and intermediate products. Their manufacture inside the country would itself involve imports of machinery and equipment. Which of the two courses is acceptable on balance will depend on relative costs and efficiency of domestic capacity. To make industrial projects domestic-based is undoubtedly a desirable goal. But is it not essentially a long-term function?

The Panel's prescription for promotion of exports discloses nothing but an academic approach. It has suggested in a roundabout manner the imposition of restraints on consumption and made no secret of its faith in State trading on an expanded scale as an instrument to stimulate foreign exchange earnings. Stressing the serious magnitude of the problem of the balance of payments deficits, it has urged a review of the existing export policies (the recent labours of the Export Promotion Committee notwithstanding) "with a view to setting apart a larger proportion of domestically produced goods for export." It has pleaded for fiscal and monetary control "throughout the rest of the Plan period" to secure the needed increase in exports. But it has not paused to inquire which export outlets are available during this crucial period.

Rededication

INDIA celebrated the 8th anniversary of assumption of the status of a sovereign democratic republic on January 26. The day is not merely an occasion for rejoicing; it is also a day for stock-taking. The President was keenly aware of this. In his broadcast to the nation on Republic Day eve, while rightly calling upon every Indian to observe the national day in a spirit of happiness and good cheer, he also summed up the progress made by the nation during the eight years of our existence as a republic. What is most significant he has made a stirring appeal to the people not to be daunted by calamities and set-backs such as we met last year but to go ahead with determination and in a spirit of dedication.

Surely, we have no reason to take a dim view of these years. Almost all the fields of national life have registered progress. Several apartments have been added to the slowly rising edifice of a progressive State. The first Five-Year Plan has within this period been successfully implemented. This has confirmed our faith in democratic planning and redoubled our resolve to launch the second Five-Year Plan on a broader scale. No doubt, last year we came up against several difficulties in the matter of foreign exchange. Our hard-earned foreign reserves were drawn upon at a fast rate, as they had to be in a situation like this, and we received generous co-operation from friendly countries. Our efforts in other directions also continued unabated. We are resorting to imports of capital goods on deferred payments basis in an increasing measure. The choice of this technique is beginning to bear fruit. As many as 85 industrial projects, involving import of plant and machinery on deferred payments, worth Rs 43 crores have been covered by it. Industries like cement, sugar, textiles, chemicals, refractories, and engineering have also been benefited. At the same time private enterprise has been able to secure the participation of foreign capital on a basis of technical collaboration. Moreover, the United States' aid of 225 million dollars for the current year, the Soviet credit of 500 roubles and credit offers from West Germany, Japan and France have given us timely resources to proceed with priority projects in our Plan. From all accounts, the crisis that faced us some time ago is now passing off.

There was no diminution in the output of even those industries which depend to a great extent on imported raw materials and components since imports continued to flow in consequence of past commitments. Production in the major industries witnessed a further rise, while the "younger" industries, like engineering and machinery units, recorded appreciable increases over the previous year. In some industries the assigned targets have been exceeded. An impressive range of new articles—milling machines, hydraulic surface grinders, diesel road-rollers, synthetic detergents and synthetic stones—were manufactured for the first time in 1957. The Hirakud project saw the completion of its first and major stage. The three projected steel plants at Bhilai, Durgapur and Rourkela have shown reassuring advance towards completion. The output of consumer goods has also been at a higher level.

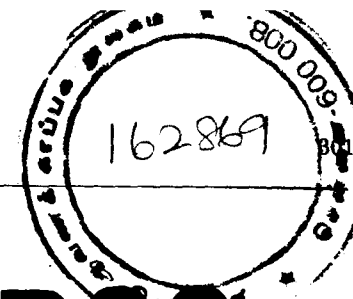
Among the items of consumption, food naturally occupies the foremost place in our economy. Surely, without achieving self-sufficiency in food our country's progress in other spheres will not

be accelerated. Self-sufficiency in food indeed was the central target of our first Five-Year Plan. The total output of food grains in the country has increased from nearly 51-1/4 million tons in 1951-52 to 68-3/4 million tons in 1956-57. But the vagaries of nature, the growth of population and the reduced imports of food grains have deprived us of the assurance needed. India steps into the ninth year of her republican nationhood with the firm conviction that this drawback too will not remain uneradicated for long. Irrigation facilities are steadily expanding. We have learnt at a great price that all energies must be concentrated on short-term goals of greater output. The importance of improved seeds and manures is being increasingly appreciated. Prompt and easy access to the facilities now being made possible is bound to encourage our peasants to bring into play their inherited experience and intelligence and it should be feasible to reduce dependence on imports. This is an important necessity for us.

But man does not live by bread alone. It is because of this that the President stressed the fact we have demonstrated our resolve to uphold fundamental values of freedom. India remains uncompromisingly wedded to the democratic way of life. The peaceful completion of the second General Elections, with the world's largest electorate going to the polls, bears eloquent testimony to this nation's faith in the sovereignty of the people and the sanctity of the ballot-box. It can also be claimed without exaggeration that among the countries which have won political independence after the last war, India ranks as the most stable democracy. Even some of the worst distractions—linguism, regionalism and casteism—that this country has suffered during the last few years have been dealt with democratically. Persuasion, not suppression, has been India's policy. The benefits of this approach are apparent. The distractions are rapidly clearing away.

In the year of Sputnik and guided missiles, India's voice has steadily been urging cessation of the armament race between big powers and for utilization of the new power released by science for peaceful purposes. In foreign affairs we seem to be improving our relations with the West without sacrificing our basic principle of friendship with all. Considerably greater understanding of conditions in India and a somewhat deeper appreciation of her international policies are evident in the United States; the difference with Britain over the Suez crisis has not only been healed but has actually been replaced by closer ties of understanding. The Kashmir issue and the dispute over Canal Waters remain in a state of deadlock. The Kashmir issue seems to defy quick solution. This is no occasion for recrimination or reiterating what has been stated on behalf of the Government in the Security Council or elsewhere. India stands irrevocably committed to a peaceful settlement on a fair and just basis. She has released Sheikh Abdullah in the sincere belief that the people of Kashmir endorse her policy.

Not that we, as a nation, have achieved all that we set out to achieve. Complacency must certainly not be allowed to undermine our vigour. There is no reason why we should not face the future with confidence born of our achievements during the past eight years and fortified by a genuine spirit of dedication.



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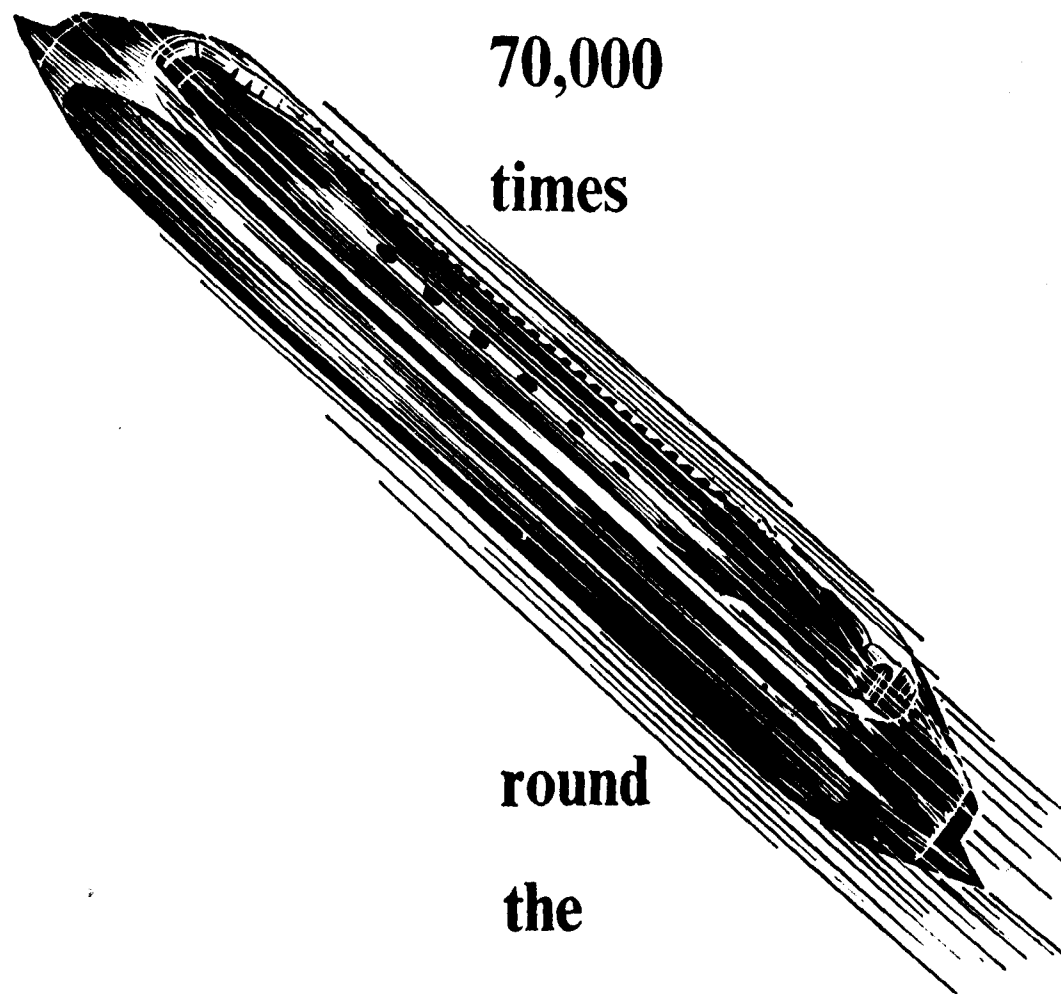
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THE WEEK'S NOTES

TILTING AT WINDMILLS

SPEAKING AT the meeting of the Baghdad Pact Ministerial Council this week, Mr. Firoz Khan Noon took umbrage at the fact "that some of the so-called neutralist countries are recipients of large-scale aid not only from Communist countries but also from Western countries whose policies they are constantly attacking." The provocation for this statement is clear, namely, the recent announcement of a US loan to India. But what is not understandable is the naivete exhibited by the Pakistan Prime Minister in the understanding of United States policy on foreign aid which is now proving a source of considerable headache to the Administration as well as Congress. It is now common knowledge that United States aid to India forms to some extent at any rate part of a global attempt to meet the Soviet offensive at economic penetration in the Afro-Asian region. When it started two and a half years ago, Russian economic penetration seemed to be innocuous and was dismissed as such even in well-informed circles in the United States. But the momentum it has gained recently seems to have imparted a sense of urgency to the whole question. The recent statement of the leader of the Soviet delegation at the meeting of the Committee on Trade of the ECAFE that Russia would offer Asian countries development loans and long-term agreements for the purchase of Asian basic products to help stabilise the region's development thus acquires considerable significance and, therefore, must be studied in the proper background.

Here nothing has come out more appropriately than the graphic illustration appearing in a recent issue of the 'New York Times' giving a comparative picture of Soviet bloc and US aid given to the same countries since the middle of 1955. The impression it conveys to the reader is more eloquent than all the voluminous studies that can be made on it. Of the ten nations—Afghanistan, Cambodia, Ceylon, Egypt, India, Indonesia, Nepal, Syria, Yemen and Yugoslavia—represented in the map, Yemen and Syria have received only Communist aid whereas all the rest have received aid from US as well as the Communist bloc. The total of US aid has been of the order of \$9 billion during the last two and a half years whereas the aid from the Communist bloc has been \$1.9 billion during the same period. So far as India is concerned, excluding the latest loan from the US of \$225 million, the quantum of aid from the United States since the middle of 1955 has been \$419 million and that from the Soviet bloc \$270 million. This has its own tale which will not be missed by any discerning observer and that is the steady progress made by the Soviet bloc in recent years in its recent economic offensive. Again, although the United States aid has been more substantial than that of the Communist bloc, the propaganda value that the Communists can make of their concern for the underdeveloped countries cannot be minimised. It is in this context that one should view the warning contained in President Eisenhower's Economic report to Congress. "We should not", he said, "lose the opportunity through appropriate programmes of assistance to strengthen the confidence of the developing nations in the possibilities of economic growth under free institutions". The US Congress is no doubt confronted with a dilemma, whether it is to cut the military aid or the economic aid since it is determined to make a cut in any case and both may command its own proponents. But the issue is not one of mere arguments but facing a formidable challenge from the Soviet which underdeveloped countries may find difficult to resist for long in the absence of powerful antidote from

the Democracies. Mr. Noon, while making his statement, is either not alive to realities or is deliberately shutting his eyes to them. Perhaps Indophobia might have something to do with it.

THORNEYCROFT'S RESIGNATION AND AFTER

THOSE WHO have been expecting any spectacular developments by way of disintegration of the Macmillan Government following Mr. Thorneycroft's resignation may have to revise their opinion. The vote of confidence that the Conservative Government secured defeating an Opposition amendment when Mr. Thorneycroft himself pledged his full support to Government and persuaded his supporters not to embarrass his colleagues is fair indication that the Conservative Party has no worries of any split either in the rank and file or in the apex. The fact is that in the welter of confused reports, one could see that there has apparently been no serious differences of opinion between the three ministers who had resigned and the rest of the Cabinet and in fact Government are now determined to press ahead with Mr. Thorneycroft's measures. Mr. Heathcoat Amory went as far as to say that the differences did not relate to any principle and only concerned the most effective means of promoting the present anti-inflationary policies. In the face of this, it is small wonder that the question should be raised 'Why we should have the policies and lose the man'. This is a question that perhaps can best be answered by political prophets alone.

What is of interest in the whole episode is the position of the Labour Party and the possible embarrassment that it might have intended to cause by the differences among Ministers. However, it appears it has no particular advantages to reckon with. Since Government had decided against cutting immediately social services, the Opposition sting seems to have been blunted in a way. Again whatever may be its analysis of the economic malady, it does not seem to have any particular recipe to suggest to direct the economy along the path of steady expansion in spite of Mr. Gaitskell's well merited emphasis on productivity and extension of production. It is here the report that a major controversy is developing between the Labour Party and the trade unions on the issue of wage restraint under a future Labour Government assumes significance. It will not be an easy task for Labour leadership to iron out the differences with the unions on this crucial point. Mr. Butler has asserted that they do not intend to have an elections but it Labour wants to force one, it may have to do a good deal of constructive thinking before it can hope to present a united front to the Conservative Government whose tenure seems to be far from unstable.

A DEPLORABLE ACT

THE FRENCH last week seized a Yugoslav freighter, Solvenija, bound for New York via Casablanca. The French authorities justified their action by saying that the freighter had been escorted into Oran harbour only after it violated the home waters of the harbour. M. Pineau, the French Foreign Minister, did not, however, emphasise this aspect of the incident. He laid stress, on the other hand, on the illegality of the cargo which the freighter was carrying. He alleged that the freighter was carrying 150 tons of arms and ammunition of various types—three times the quantity carried by Yugoslav yacht, Athos, which was also seized by the French Navy in the Mediterranean in 1956.

Belgrade has denied both the allegations and lodged a strong protest with the French Government. According to the Yugoslavs the French fighter-planes and warships ordered the Yugoslav ship to steam towards Oran under threat of attack, when it reached Oran's home waters, it was 'legally' seized and searched, and its cargo confiscated. The Yugoslav Government has also emphatically denied that the arms and ammunition were meant for delivery to the Algerian rebels. In any case, they say, there is no internationally agreed ban on the delivery of weapons to Morocco. The Yugoslav Government has, therefore, bluntly characterised the French action as an act of piracy and war, and a gross violation of the freedom of the seas. Such a seizure would have been justifiable only if France had been at war with Yugoslavia.

It is impossible to determine exactly where the Yugoslav freighter was intercepted. But the fact that M. Pineau has been more emphatic in respect of the illegal nature of the cargo than on the violation of Oran's home waters seems to indicate the real intentions of the French authorities. Their unwise act raises a number of pertinent questions, the most important among them being the status of the Mediterranean Sea. Has it finally become the private lake of the Western Powers? If not, how explain the act of the French in seizing Yugoslav vessels?

It is, it must be reiterated forcefully, acts like these which make it possible for the Communists to identify themselves with national movements in Asia and Africa and arouse suspicion towards the West. By a stroke, as it were, the French have undone the Free World's attempts to create cordial relations with the newly-liberated Anglo-French colonies and dependencies on the Mediterranean. The only possible, and advisable, course for the Free World is to persuade the French to give up their outdated imperial notions. Unless this is done, France will continue to undo what other Western countries do.

BRITAIN STEALS A MARCH

A REMARKABLE scientific achievement announced last week which is as big if not bigger than the Russian Sputnik has by all tokens failed to evoke the same interest for the simple reason that it has been devoid of any spectacular element. The fact, however, remains that it marks a milestone in man's attempt to find an unlimited source of fuel and that from ordinary sea water. Britain's Harwell has thus achieved the unique distinction in being the first to conduct with success experiments in control of atom fusion and there is no doubt that ZETA (the machine standing for zero Energy Thermonuclear Assembly) will soon pass into scientific legend.

Shorn of much scientific verbiage, the Harwell triumph brings into the realm of possibilities the long-cherished ambition of scientists to emulate the stars and to produce in the laboratory temperatures so high that useful energy can be produced from power reactors. The scientific achievement that has been accomplished is that in this machine, temperatures of about 5,000,000°C, which are roughly a third of those at the centre of the Sun, have been produced and have been held for a few thousands-of-a-second, and these temperatures have been repeated every 10 seconds for very long periods of time. The implications of this scientific feat is while at present it is possible to get out of it only about one millionth of a millionth of power put in, if the temperature were to be increased from 5,000,000°C, to 25,000,000°C, it will be possible

perhaps to increase the power a million times. It has been estimated that in another 20 years, many stages will be crossed successively when successors to ZETA will be found till at last the world will be assured of an inexhaustible supply of fuel owing its origin to the most common source—water. Fusion is thus going to prove as much a scientific miracle as fission with perhaps greater potentialities for benefiting mankind. By her recent triumph, Britain has no doubt placed the entire scientific world in a debt of gratitude.

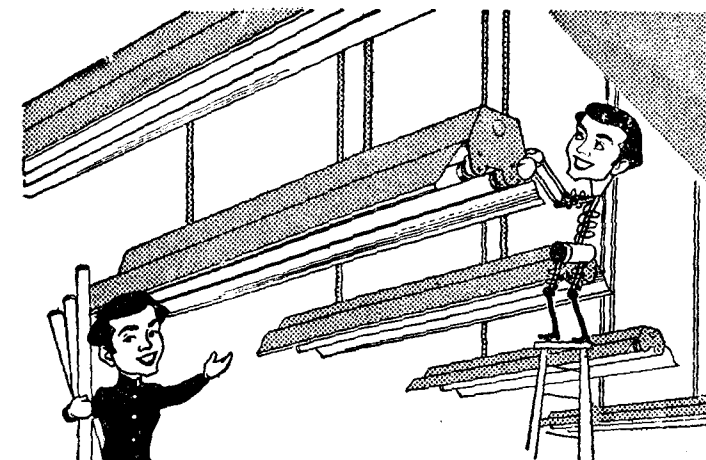
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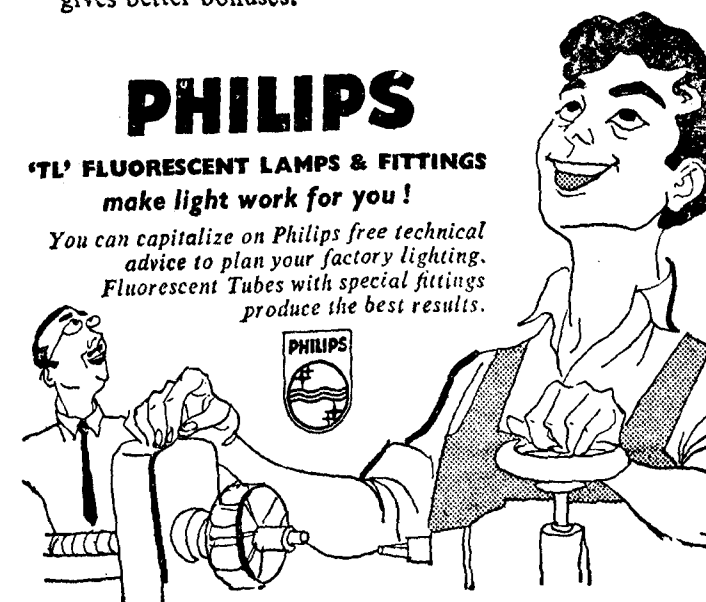
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A Window on the World

BREAK UP THE STERLING AREA?

By
ODYSSEUS

THE THIRD OUTSTANDING participant in the grand debate on the pro's and con's of dismantling the sterling area, now going on in the UK, is Mr. J. R. Sargent (See his BBC Third Programme talk "What Price the Sterling Area?" in 'The Listener' of January 2, 1958).

Mr. Sargent maintains that the periodical crises which overtake sterling are unjustified by the economic facts. At a time when the UK's national product is 30 per cent above pre-war, Mr. Sargent does not see how the UK can be described as too weak to run the sterling system that she managed with less wealth before the war. He argues that people think that the UK is economically weak because fluctuations in the balance of payments are magnified out of proportion by the UK's lack of international liquidity. The UK's reserves are so small in relation to her liabilities that they can be threatened by a moderate and temporary deficit or (as in the September, 1957, crisis) by no deficit at all. The crises loom large simply because the UK lacks the means to absorb them.

The inadequacy of the UK's reserves doubtless originates in her war losses but, in Mr. Sargent's view, the effect has been increased by the UK's gradual move to sterling convertibility, culminating in the decision of February, 1956, to support the sterling rate in New York. Step by step, the UK has made it easier for all the world to turn its sterling into dollars. Mr. Sargent does not agree with Mr. Wood's contentment with the sterling status quo (described here last week) because he considers that it helps to build up the dangerous illusion of the UK's economic weakness.

Rejecting suggestions that exchange control should be imposed within the sterling area, Mr. Sargent points out that from the beginning of 1955 to the middle of 1957 it was not the sterling area members but the non-sterling countries which sucked gold and dollars from the UK's reserves at an alarming rate, considerably exceeding the sterling area's deficit with them on current and long-term capital account.

OUTSIDERS ACCESS TO STERLING RESERVES

Countries outside both the sterling and dollar areas ran down their sterling balances by more than £150 millions in order to claim gold in excess of the sterling area's deficit with them. In the same period while dollar countries ran down their balances by some £50 millions, the sterling area achieved a substantial surplus with the dollar area. In contrast with the non-sterling countries, the balance of the sterling area countries remained the same during this period and in the last six months it actually increased. At the time that Mr. Sargent drafted his talk, the statistics of India's drawings subsequent to mid-1957 were not available to him. The Reserve Bank of India's holdings of foreign securities fell from Rs. 412 crores in June to Rs. 301 in November, 1957. I do not, however, believe that this affects Mr. Sargent's contention that, in general, the sterling area members have shown greater confidence in sterling than the non-sterling countries. India's sales were not speculative but in response to trading needs on behalf of the Five-Year Plan. In any case, looking to the future, Mr. Sargent submits that, as things now are with sterling convertible de facto

for all non-sterling area holders of sterling, periodical drains on the reserves will continue. The danger of excessively rapid demand on the reserves also increases as more colonies become independent. But in order to cope with this, there is no need to join the pessimists who want to break up the sterling area system.

What is, instead, needed, Mr. Sargent says, is to persuade the governments of the sterling countries that their own best interests lie in agreed restraint in their drawings on the area's reserves, while simultaneously—and here is the nub of his argument—limiting the access of non-sterling countries to the reserves.

To limit the access of non-members, you would have to cease to support the sterling rate in the free market and withdraw the de facto guarantee of convertibility. Mr. Sargent wants this followed up by using all the sterling area's bargaining power to reduce the proportion of settlements in the European Payments Union that has to be made in gold. By thus restricting the opportunities for non-members to claim dollars from the reserves, the sterling area would be resurrected as a discriminatory club, whose members would enjoy privileged access to the reserves but at the same time acknowledge obligations to other members when exercising their right to draw on the common pool. There would be two defences for the reserves: (1) by denying convertibility to non-sterling countries; (2) by co-operation among sterling countries to ensure that their own demands on the reserves were kept within the safety limit.

Mr. Sargent's critics doubt whether the sterling countries could be persuaded to co-operate. In reply, he invites us to reflect that, as things are, a drain on the reserves leads to a deflationary policy in the UK: high rates of interest and credit restriction. Thus, at first sight it might seem that it is the UK which alone bears the burden of halting a drain on sterling. But Mr. Sargent points out that the burden is eventually borne by all sterling countries.

UK DEFLATION HITS STERLING COUNTRIES

The sterling countries' first objection to deflation in the UK should arise from their interest in London as a source of capital. Lest any one should think that the UK has ceased to export capital, we may recall that between 1946-55 the UK invested over £2,000 millions (Rs. 2,600 crores) overseas. In the same years 70 per cent of the outside capital invested in the sterling area came from the UK, compared with 15 per cent from elsewhere. These percentages have since been maintained with an average annual investment of £200 millions. Deflation and high interest rates in the UK must therefore cause difficulties for the development plans of sterling countries.

Secondly, the UK remains the biggest buyer of primary goods entering world trade. Even a small reduction in UK demand for sterling goods can have severe effects on sterling producers. Countries particularly dependent on primary commodities—wool, rubber, tin, cocoa, jute, tea, etc.—cannot contract production easily and quickly. Consequently, if demand sags, their prices fall steeply. You can stop a factory assembly line overnight; you cannot stop the rate of growth of jute or tea under many months. Moreover, the demand for primary commodities is inelastic, so that if prices fall by a certain percentage,

demand rises by a smaller percentage. Total receipts and incomes fall.

For these reasons inherent in primary production, Mr. Sargent argues that the sterling countries have an inducement to ensure that the deflationary train of events initiated by a run on the sterling reserves is avoided.

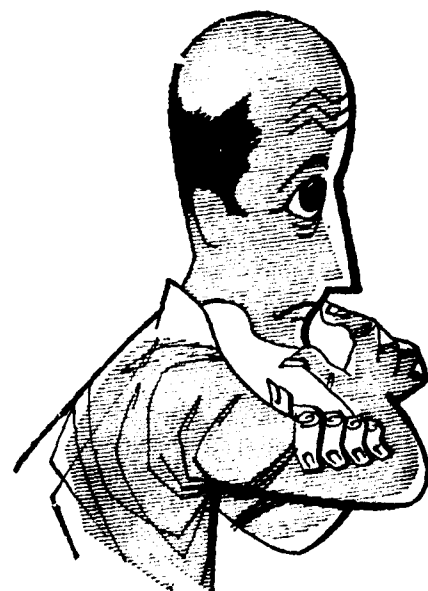
Mr. Sargent admits that sterling countries might not immediately agree to restrain withdrawals from the reserves, reinforced by import restrictions on dollar imports, and to impose tighter exchange control on the export of capital outside the sterling countries. Instead, they might prefer to see sterling devalued or allowed to drift downwards, probably accompanied by their own currency. If the drain on the reserves reflected a serious long-term deficit in the sterling area and came at a time when unemployment had already emerged, this might be effective. But it would not help against the type of drain with which we are most concerned—a temporary short run on the bank, best met by drawing on the reserves, which is, after all, what reserves are for.

Mr. Sargent concludes that a group of countries particularly sensitive to deflation in the UK and simultaneously interested in avoiding the devaluation of sterling makes a basis for a club. He points out, however, that like all clubs, there would be a subscription to pay: in the event of a drain on the reserves, the foregoing of some dollar area imports. If these can be replaced satisfactorily from within the sterling area, the subscription would not be high. Here, the UK has an opportunity and a responsibility as a potential supplier of dollar substitutes. At present the surplus capacity available should enable the UK to meet quickly the demands of other sterling countries diverted from the dollar area. But the UK would be under obligation to keep the costs of diversion low for others by maintaining quality and productivity and avoiding inflation. In turn, for the UK, the cost of buying food from within the sterling area might be higher than from the dollar area. The difficulty of expanding the supply of food stuffs in a short run might create a substantial premium for the sterling product. This again would be part of the club subscription. But, points out Mr. Sargent, it can at least be claimed that it would not have to be paid continuously. There would be years when the reserves were not under fire and discrimination against dollar imports could be relaxed.

Mr. Sargent suggests that as the consequences of the UK's present deflationary defence of the reserves begin to make themselves felt in the sterling countries, a movement to re-establish the sterling area as a discriminatory club may gather momentum.

Of course, as I argued here on November 8, 1957, if we would all return to the gold standard, there would be no dollar shortage and no need for a discriminatory club. But as Professor Lutz pointed out to me (November 22, 1957) this is such economic common sense that no one is likely to accept it.

There would also be another possibility. Why should the USA not up value the dollar if the USA is sincere in its desire to encourage the convertibility of currencies and discourage restrictions on international trade? The Germans refuse to up value the mark on the ground that this would damage their export trade which is vital to their economy. But the USA economy is broadly self-sufficient and the contribution of exports to its national income is small. US politicians might reflect that an up valuation of the dollar by encouraging US commercial spending abroad would decrease the need for "aid" loans and relieve the burden on the US tax payer. A reduction in income-tax is, I imagine, as good a vote catching programme in the USA as in any other country.



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THE SAHARA: A NEW CHAPTER

(From Our Special West European Correspondent)

PARIS, January 25.

THE discovery of diamonds in the Hoggar region of the Sahara Desert this month may not turn out to be commercially important, but it provides commentators with a striking symbol: a wealth of gems lost in the heart of a sunscorched wilderness on whose borders are raging several small but bloody wars. Desert wars, incidentally, are necessarily bloody, and one should not discount too heavily the startlingly high casualty figures claimed by the combatants either in the Spanish-Moroccan or the French-Algerian battles: encounters in this vast region are naturally few, but when they occur the desert offers no possibility of flight, shelter or cover and so percentage losses attain truly Carthaginian proportions. The war in the west, between Spanish troops and bands of Moroccan irregulars, threatens the Spanish Sahara possessions and the French have so far observed a strict neutrality in the struggle. But as long as it continues, it makes impossible the exploitation of the substantial iron ore deposits at Tindouf, in the French Sahara. The war along the northern borders of the desert, that is along the southern confines of Algeria, jeopardises the evacuation of oil from Hassi Messaoud, whence, however, a trickle of petrol has already begun to flow by pipeline and rail-tankers down to the Mediterranean port of Bougie. The recurrent tension between France and Tunisia, in turn, threatens the evacuation of oil from the remoter fields at Edjele, which could best be served by pipelines running across Tunisia or Libya.

Despite these uncertainties, the French are pressing ahead with the opening up of the desert. This year, for example, they will invest 180 milliard francs (or about Rs. 207 crores) in exploiting known petrol sources and in prospecting for new ones. There is no shortage of capital for this immense operation, and this shows that both the French public and the international oil companies are confident that the present unrest around the borders of the Sahara will not in the long run handicap the utilisation of its riches. Any amount of private capital can be raised for this purpose in France, where petrol shares are now the backbone of a stock market that was left denuded of quality scrip by the wave of nationalisations after the war. The British and Dutch oil companies have been represented in the Sahara for some time, and now the "independent" American firms have joined them, notably Cities Service, Newmont, Sinclair, Phillips, Transworld and Pan American. The limiting factor is neither capital nor confidence, but the physical resources needed to manufacture pipes and pumping equipment.

French determination in this project is easy to understand, for the prize is both near and considerable. It is now assured that by the end of next year France will draw from the Sahara one-third of her oil requirements. Other things remaining equal, this would virtually put an end to her balance of payments difficulties, and particularly her dollar gap, once and for all. And the matter would not end there: further exploitation of oilfields already discovered can make France, within a few extra years, the world's third energy producer, after the United States and Russia. Mentioning this latter prospect the other day, M. Lejeune, the Minister for the Sahara, said: "That is our goal and nothing is going to stop us reaching it".

Only if we bear in mind this optimism can we explain the doggedness with which the French are continuing the Algerian war and the highhandedness with which they reject any intervention, whether it come from the Tunisians or the Yugoslavs.

Not that all the borders of the Sahara are disturbed; the French do not everywhere have to protect their Aladdin's cave by force. In the south, where the Sahara merges into Equatorial Africa, the semi-autonomous French territories are being associated with the work of opening up the desert. This is being done in a way that marks the beginning of a new chapter in the political history of the desert, and provides a framework for the incorporation of the North African peoples when peace is restored there. This week in Paris there met for the first time the High Commission for the Sahara, which is the creation of the Socialist Sahara Minister, M. Lejeune, and which will govern the development of the region. Of its 32 members, 16 represent the metropolitan power and 16 the native peoples of the neighbouring African territories: Chad, the French Sudan, Niger, Mauritania, Saoura and the Oases. The representatives of these territories want for the most part to limit their co-operation to purely economic questions and are reserved about the political implications of the scheme, although the elected Assembly of Chad has demanded that several desert regions of their country be included in the territory governed by the High Commission.

This Commission has the task of allocating the credits voted by the French parliament for development of the desert, governing foreign investments in the region, and elaborating plans for roads, tracks, aerodromes and communications. It will also concern itself with the social care of the desert populations. The representatives of the West African and Equatorial countries have adhered to the High Commission without great enthusiasm, for the plans the French have for the area will entail considerable disturbance of their economies. But the principle has been accepted, both by the metropolitan and former colonial peoples, that these problems have to be faced together. Whatever political difficulties arise, the southern borders of the desert will not see the tension and bloodshed that still reign in the north. And it is into this organism that can be absorbed later the representatives of the Algerian people, and, in time, of the independent governments of Tunisia and Morocco. It is not true that the French are seeking to exclude these neighbouring territories from the opening up of the desert, though as long as they have to provide by far the greater part of the capital and direction of the work they will insist on a proportionate political influence.

The evolution of French opinion in this matter is notable and it has reached a point where co-operation with the Tunisians would be readily accepted—for example, in building a pipeline that carried oil from the Edjele fields to the Tunisian port of Gabes. The Tunisian Government, too, is becoming more interested in this prospect than in the sterile business of supporting the Algerian rebels in a war that might continue indefinitely. But every time the French and Tunisians are on the verge of an agreement some new incident on the Tunisian-Algerian border envenoms relations. It is a perfectly reasonable supposition, which is put up both

in Paris and in Tunis, that these awkward incidents are the deliberate work of the Algerian rebels who realise that once the French and Tunisians enter on a common effort in exploiting the Sahara, the uprising will have lost one of its main supports. In general, it is clear that every new step toward international co-operation in the Sahara (for instance, the investment of American capital or the association of the Equatorial territories with the Sahara Commission) marks a defeat for the Algerian rebels, for it converts their movement from a political protest against French domination to a disorderly disturbance of an international effort to exploit a source of great economic potential. The French are betting heavily on this fact, and there is no doubt that time is on their side.

It is to be noticed that the Algerian rebels have so far limited their harassment of French efforts to such political measures as envenoming Franco-Tunisian relations and to seeking to create an atmosphere of insecurity in the northern Sahara. They have not, for the most part, made any direct attack on the industrial installations that are beginning to appear in the desert. There has been little or no sabotage of high-tension electric supply lines, of pipelines or of the railways that will be used to evacuate oil. The nationalists evidently realise that these things represent the future of their country and that their replacement would require years of work and millions of capital; their destruction, moreover, would alienate the sympathy of the border states whom the French are gradually seeking to interest in the common development of the Sahara. Whether or not this is their calculation, the

comparative moderation of the rebels is assisting progress of the French effort. And the physical difficulty of moving oil over the desert is proving in practice to be less formidable than had been thought.

The fact stands that the construction of the 420-mile pipeline from Hassi Messaoud to the Mediterranean this year will be subject to the uncertainties of the Algerian war. The movement of oil that is now taking place by pipeline as far as Touggourt and thence to the sea by rail, has to be protected over every mile by a powerful display of force. Observation planes and fighters accompany the rail convoys every moment, while armoured cars patrol the roads and tracks on either side of the oil route. The extension of this protective cover to the whole pipeline from the desert oil-fields to the coast would be a heavy burden, and even then would not guarantee the passage of oil through the mountain passes where sabotage would always remain easily possible. But the French, banking on the political consideration that the active opening up of the desert will deprive the rebels of much international support, are ready to take this risk. The pipes and pumping stations required will cost £30 millions and it is reasonably hoped that by the end of next year, and possibly a little earlier, oil will be flowing at the rate of ten million tons a year, which will constitute one-third of France's oil needs in 1960. The way will then be open for the exploitation of the Sahara's wealth, which in addition to oil reserves which may well exceed 1,000 million tons, includes iron ore, copper, manganese, platinum, tin—and of course those diamonds, whose glitter symbolises the stakes of the struggle that is now being waged on the confines of the desert.

WORLDGRAM

AGRICULTURE

Camphor and Vanilla Cultivation at Wynad: Two research schemes—one for camphor cultivation and the other for vanilla—have been approved by the Indian Council of Agricultural Research for the next financial year. The schemes, the duration of which is five years in each case, will be put into practice at a plantation or a farm at Wynad in Kerala State. The amount sanctioned for the first scheme is Rs. 44,800 and for the second Rs. 87,830. The object of the first scheme is to study manurial requirements of camphor trees for increasing total yields of camphor and camphor-oil content which have a medicinal value. The plantation at Wynad, where the scheme will be introduced, is one of the largest of its kind in the world. The camphor yields in South India are also four times higher than those in the North. By raising yields through improved methods, camphor can become a supplementary commercial crop for agriculturists in South India. The second scheme, which relates to research and development of vanilla cultivation, envisages setting up of an experimental station at Wynad. Exploratory trials at Wynad have shown that vanilla can be successfully grown in the State. The research station will investigate the conditions under which its cultivation can be extended in Southern States.

Fifteen Soil Testing Laboratories Established: To step up agricultural production by proper use of manures and fertilizers, the Government of India has introduced a soil testing service for the benefit of cultivators. Under this programme, for which equipment has been provided by the Technical Co-operation Mission, 15 soil testing laboratories covering 12 States have been established. The laboratories examine soil samples sent by agriculturists, and advise them on the requirements of manures and fertilizers for obtaining increased crop yields in their fields. In addition, a mobile soil testing van, obtained through the T.C.M., is operating in the States, analysing soils in the fields and making recommendations to farmers on the use of manures and fertilizers. About 13,000 soil samples have so far been analysed by the laboratories, which are located at Simla, Ludhiana, Nabha, Delhi, Sabour (Bihar), Sambalpur (Orissa), Nagpur, Hyderabad, Bangalore, Coimbatore, Trivandrum, Gwalior, Calcutta, Bapatla (Andhra Pradesh) and Poona. Nine additional laboratories will be established shortly at Hazaribagh (Bihar), Jodhpur, Junagadh (Bombay), Ballehonnur (Mysore), Rajamundry (Andhra), Agartala (Tripura), Gauhati, Kanpur and Jabalpur (Madhya Pradesh).

Import of Fruits from Afghanistan: The Government of India have decided that with immediate effect no applications for customs clearance permits for import of fruits, all sorts and asafoetida from Afghanistan will be entertained. Announcing this a Trade Notice issued by the Joint Chief Controller of Imports says that importers are, therefore, advised in their own interest that they should immediately arrange to stop despatch of fruits etc., from Afghanistan.

INDUSTRY

Supply of Better Equipment to Handloom Weavers: Schemes to supply better equipment to handloom weavers, provide working capital to weavers in co-operatives and facilitate marketing of handloom cloth have been approved by the Government of India. Over Rs. 27 lakhs have been sanctioned by the Union Ministry of Commerce and Industry to different States for implementing the schemes.

Japan's Steel Production Plan for 1958: Steel makers are going to have their own production plan in

Japan for the forthcoming year, under which they can operate in harmony with each other in various fields of activities, instead of depending upon the plan prepared by the Ministry of International Trade and Industry as they have been doing in the past years. A gist of the plan tentatively blueprinted by the Iron and Steel Federation is something like the following: **Blast Furnace Pig-Iron:** The output will be 7,700,000 tons in comparison with the estimated production of 6,700,000 for the current fiscal year. An increase of a million tons will be accounted for by an expectation of a sizeable growth of demand and also a decrease of an import of the goods from foreign markets, which, incidentally amounted so much as to 700,000 tons this year. **Steel Ingot:** The production will be 14,100,000 tons showing an increase of 1,100,000 tons over the estimates of the 13,000,000 tons for 1957 fiscal year. **Mild Rolled Steel:** The demand for the product is estimated to be about 10,250,000 tons, which however, will be cut down to 10,200,000 tons in consideration of an import of 50,000 tons from abroad to fill the special requirement. When compared with the total output of 9,640,000 tons predicted for 1957 fiscal year, nearly a six per cent increase will be attained next year. Since never they have turned out the goods more than 10 million tons in the past years, next year might become a memorable year in the annals of the industry.

Draft Standard for Phenolic Moulding Materials: The Indian Standards Institution has circulated, for eliciting comments, draft Indian standard methods of sampling and test for phenolic moulding materials, Part II (tentative). This draft standard forms Part II of the Indian standard methods of sampling and test for phenolic moulding materials and is complementary to IS: 867 (Part I)—1956, methods of sampling and test for phenolic moulding materials, Part I (tentative) which has already been published. The draft standard prescribes further test methods which are intended to supplement those prescribed in IS: 867 (Part I)-1956. It contains definitions of terms used in trade and industry and methods of test for determining heat distortion, plastic yield, cross breaking strength, free ammonia, free phenol, mar resistance, arc resistance and soluble resin content.

TRADE

UK's Record Oversea Trade in 1957: Britain's overseas trade position in December was again very favourable and both imports and exports in 1957 as a whole reached record levels, according to the full trade figures for December released on January 21 by the Board of Trade in London. Confirming the provisional trade figures issued earlier this month, exports in December were £282,400,000, imports were £313,600,000, and re-exports £12,200,000. The visible trade deficit fell by £3,000,000 to only £10,000,000. For 1957, exports rose by nearly five per cent to £3,325 million; re-exports were £133,000,000; and imports rose, also by five per cent, to £4,076 million. The resulting trade gap was £617,000,000—£49,000,000 more than in the previous year.

Japan's Exports and Imports in October: During October both exports and imports decreased by 13.2 per cent (\$34,167,000) and 4.1 per cent (\$13,086,000), respectively to aggregate \$225,111,000 and \$306,422,000, and consequently the foreign trade account for the month deteriorated by \$21,081,000 to record an adverse balance of \$81,311,000, the Ministry of Finance reports according to their customs clearance statistics. The appreciable drop in exports for the month is generally ascribed to the striking contraction in export of vessels which amounted to only \$15,433,000 for 31 ships com-

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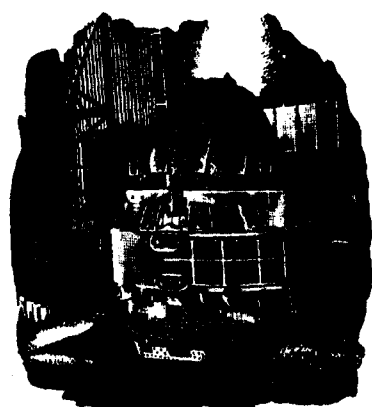
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Economic Report from the U. S.

PRESIDENT'S REPORT ON NATION'S ECONOMY

(By GUY SIMS FITCH)

WASHINGTON, Jan. 28.—Amid the welter of economic news emanating lately from Washington, there has been a tendency to overlook the broad outline of the legislative programme which President Eisenhower has proposed to Congress in his report on the Nation's economy. It is a co-ordinated programme designed to foster sustainable economic growth at home and help further the sound development of Free World economies. Not all of the specific proposals are entirely new; but taken together, they provide an excellent blueprint of the Administration's economic goals. Here in summary, are some of the more important recommendations;

GOVERNMENT FINANCES: In view of the projected increase in Government outlays, largely for national security, the President is asking Congress to extend the present income-tax rate on corporations for another year. This rate, now figured at about 52 per cent, is scheduled to drop to about 47 per cent next July 1. He also is asking that the present excise rates on such products as automobiles and cigarettes be similarly extended.

The report makes no mention of changes in individual income-tax rates. In the past week, however, the President and some members of Congress have held out the possibility of some tax cuts if economic conditions do not show the anticipated improvement in the coming months. Another recommendation in the President's report is that the statutory Federal debt limit of \$275,000 million be raised temporarily. This reflects the need for more elbowroom in Federal financing operations. And Congress responded last week by starting action on a specific Treasury recommendation that the limit be raised to \$280,000 million. **FEDERAL CREDIT:** In this field, the President proposes to increase the availability of funds for prospective home owners, and facilitate the construction of private dwelling units.

SCIENCE AND EDUCATION: The President's report recognizes that security and national well-being require not only physical resources, but also knowledge and skills. He is therefore asking Congress to provide additional funds to help States strengthen their educational systems and improve instruction in vital fields.

SMALL BUSINESS: Noting that a competitive environment is important to a thriving free enterprise system, the President proposes to strengthen the position of small business. Among these suggestions are recommendations to expand the operations of the Government's small business administration, further tighten anti-trust laws, and grant smaller concerns leeway in figuring their tax obligations and investment programmes. **PERSONAL WELFARE:** The report takes note of Governmental responsibility to help promote the welfare and security of the individual. It recommends expansion of State unemployment insurance systems, which already cover 83 per cent of all non-agricultural workers; continued improvement in minimum wage legislation; and establishment of a new governmental unit to aid those localities where unemployment persists.

AGRICULTURE: The President observes that U.S. farm families have notably improved their living standards in the past 15 years, and offers recommendations to continue this progress. He asks Congress to extend the programme for disposing of reserve farm commodities through foreign sales, with the traditional precautions against disrupting world markets. Aside from removing burdensome surpluses and helping to meet food needs around the world, he notes, that the foreign currencies accruing from these sales have been and should continue to be used for economic develop-

ment programmes in other countries. In addition, the President recommends greater administrative flexibility in settling domestic farm support prices, and enlargement of Government aid to farm areas hit by drought and other natural disasters.

FOREIGN ECONOMIC POLICY: The President makes a strong plea for a five-year extension of the U.S. Reciprocal Trade Agreements Act, with additional Presidential authority to cut tariffs. He also recommends that Congress authorise U.S. membership in the proposed Organization for Trade Co-operation, the projected administrative arm of the General Agreements on Tariffs and Trade, to which the United States has been a party since its inception in 1947. In the field of foreign aid, the President requests increased appropriations for the new Development Loan Fund, designed to help finance economic development projects, abroad, and also for the long-standing Technical Co-operation Programme which includes a larger U.S. contribution to the expanded United Nations Technical Assistance Programme. He also requests an increase in the lending authority of the U.S. Export Import Bank, whose activities in financing capital goods exports help promote production and employment at home as well as economic development abroad. Finally, the President requests funds for the new Development Loan Fund, designed to help finance economic development projects abroad. This step, it is believed, would give in future years Business and Government an even better understanding of the working and trends of the dynamic and complex economy of the United States.

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A DELHI DIARY

GRIMNESS BEFORE ALL

THE fates have decreed that I should deal with only one subject again this week. What is more, that subject has taken on such an air of grimness that I must firmly control the lighter side of my nature, which occasionally breaks out in these columns, and, indeed, constitutes in the mind of many of my friends the only reason why these columns are read. It is right, therefore, that I should warn those who have strayed on to this page in expectation of a lighter moment that they should abandon hope at least on this occasion. Today, in accordance with the subject, there is grimness before all.

This sense of impending doom which hangs over Delhi—I found this week that it hung over Calcutta and 'The Eastern Economist's' representative tells me it hangs over Bombay—must by a process, consistent with the rules of random sampling, be a universal Indian phenomenon. For reasons which the psychologists no doubt will explain in their best Freudian manner, the Indian people have decided to fasten on the proceedings of the Life Insurance Corporation enquiry to the exclusion of their personal affairs and, I am told, in a few cases, even to the exclusion of food and drink. This self-denying ordinance has, it appears, deeper roots. These are, happily, not in the merits of the case, on which I have been warned by the Editor, there exists a waiting guillotine which I dare not encounter in Contempt of Court proceedings. The public of India, whose character I am now cheerfully discussing, is not protected by law and, within reason, I can be as disrespectful as I like.

THE GREAT JUGGERNAUT

Nothing to my mind so distinguishes civilisation from primitive life as the capacity to restrain judgment at a time when historic events seem to be rolling over small human beings who have been thrown, so to speak, in the path of history. History is the great Juggernaut. Not infrequently History is Judge, Jury and Lord High Executioner rolled in one. Few people realise that the world's great (and romantic) executions have been, as often as not, the result of great impersonal events. It is possible, of course, to find some personal factor and to raise it to the level of a historical cause. But the personal factors are (mostly) trivial. There is, for example, the small matter of King Charles' head in British history. On the other hand, of course, there are a few truly 'personal' cases. The one I like best as an illustration is Anne Boleyn's; or did history enter there, too? Did she not have to wait twenty-four hours for a swordsman to be found?

What has also this to do with the enquiry? What the public seems to think in India, as well as everywhere else, is that decisions, which persons make are the result of 'goodness' or 'badness' which is intrinsic in themselves. Nothing seems to me farther from a good reading of history. Most of us—whether ministers, civil servants or just ordinary mortals—have 'selected' matters for decision placed before us every day by things which have happened right outside ourselves. If we should err, history at least is partner to the error. In any case one should not assume the role of Lord High Executioner. Nothing for this reason could be so improper as the shouting of 'shame' by crowds which attend a court by courtesy and which, as part of the sovereign people of India, should exercise restraint. Whether it was wise to make the opportunities for lack of restraint wider by loud-speaker arrangements

is a matter for debate. I think it was; for the disease is not in the mike but in the people. The Indian public, just as publics in other countries, will need to be trained by experience to respect judicial proceedings with the same kind of reverence which one sees in the leading courts in Great Britain and the United States.

LAUGHTER IN COURT

Not, indeed, that judicial proceedings must always be grim. Laughter in Court is a recognised safety-valve for serious trials, and it is right that both counsel and judge should recognise that proceedings can be extremely tedious if carried on without a smile. But laughter, like everything else, must be moderate. I remember—at least in films—that presiding officers threaten to throw out of court those possessed of an excessively keen sense of humour. In the present case no one can complain that the opportunities for laughter were unduly small. But one wonders whether the crowd exercised its judgment well by laughing not wisely but too well on at least three occasions which I have noted.

Again the (mostly jubilant) conversation on the evidence has taken on an extremely personal note. Are we oblivious of the momentous historical issues in this case? Much more, as Mr. Setalvad has indicated, is involved in this case than interest in its colourful personalities. The capacity of the civil service to take correct business decisions, the responsibility of Ministers under the Constitution, the extent to which in a complicated economic picture, pressures are exercised both by vast routine and political factors are not matters on which it is possible to give a mere 'right' or 'wrong' assessment. And nothing is so vital as for the public in this case to recognise that every time it increases the burden of decision on its servants, it is imposing obstacles in the path of India's economic progress. It seems that the absence of any decision at all is always to be preferred to a wrong decision. Is not this placing a premium on indecision?

BY REMOTE CONTROL

Being, perhaps, of a contrary nature, I look for the unusual in events here as elsewhere. I believe I have found an intangible element, hitherto unsuspected in "remote" control. The company law is based on responsibility to shareholders who are, in fact, present in annual meetings and receive balance-sheets, reports and so on. So far as policyholders are concerned, we were told that there is no association, and the law does not provide that every policyholder is to be told about the position of his company or that he can exercise any criticism of its management. On this occasion, however, all policyholders have made their point of view felt. By dubious routes they have acquired a status with the public, and in the agencies which control the Life Insurance Corporation, which is surely higher than that accorded to shareholders in company law. Thus it appears that intangible control is not always inferior to the legal and material form. I feel the occasion important enough to draw on the famous lines of Francis Thompson;

O world invisible, we view thee,
O world unknowable, we know thee,
O world intangible, we touch thee,
Inapprehensible, we clutch thee!

Thus has policyholding come near the Kingdom of Heaven!

ARGUS.

Special Articles

A SOCIAL STUDY OF THE BOMBAY WORKER

THE social implications and consequences of industrialisation and urbanisation constitute a fascinating field of study for social scientists everywhere not only on account of their intrinsic human interest but because of their bearing on labour-management relations in a complex industrial society. To an under-developed country set on the road to industrialisation, the financial, technical and organisational problems connected with it are, however, of more pressing and immediate interest than the social problems attending it. These latter problems are thus usually ignored or postponed for later and more leisurely treatment. Insofar as some of these problems precede or accompany the process of industrialisation and urbanisation while some others follow or result from it, planning which presupposes, among other things, advance provision for anticipated problems and difficulties may have to take better note of such problems if industrial change is to be brought about with a minimum of social friction and dislocation. To be fore-warned is to be fore-armed and so, from this point of view, the eminently worthwhile work of the UNESCO'S Research Centre, at Calcutta, on the Social Implications of Industrialisation in Southern Asia merits emulation in many current or potential industrial centres in India.

The theme of this article is provided by one of five studies which have been carried out, under the auspices of the Centre, in different cities—Bangkok, Bombay, Dacca, Delhi and Djakarta. This study, dealing with the social effects of urbanisation on industrial workers migrating from rural areas to the city of Bombay is of topical interest to this country. The Bombay survey, carried out by Pandhari Nath Prabhu of the Tata Institute of Social Sciences, covered 523 sampled respondents in the universe of rural migrants. In the first stage of the study's assessment of the urban influence on these workers and of the problems connected with it, it is brought out that one-third of interviewees secured jobs within a month of their arrival in the city, about a third took anything from one to twelve months to secure jobs and a fifth two years or more, and that two-thirds of them experienced no hardship in finding jobs. Again, nearly two-thirds of them were apparently content with their job situations or were adjusting themselves to their work in the mills and factories. At the same time, more than two-thirds (71 per cent) said they would have gladly gone back to their hereditary agricultural work if it had not been necessary for them to take service. It is recorded that, in spite of their long stay in the city and the strong influence of urban culture, they retained their original love for agriculture, undiminished and unchanged. This is a crucial finding in the sense that workers from rural areas do not derive from factory work that joy or psychic income they would have derived from agricultural work. Here, perhaps, there is one potent factor of psychological unsettlement among industrial workers.

Another finding of the survey belies the general impression that the working classes as a rule believe they are badly exploited by their employers. As many as 43 per cent of the respondents, according to the survey, were satisfied with their remuneration and status while 55 per cent were dissatisfied. This finding, however, is counter-balance by another which is to the effect that those who were satisfied were more aspiring than those who were dissatisfied. As the aspiring ones wanted provident fund, gratuity or pension, the conclusion is inescapable that in a basic psychological sense the industrial working class lacks contentment. This is only a confirmation of the obvious.

A third finding is to the effect that nearly 80 per cent of the respondents were keen about their children getting education and thus securing good jobs. As many as two-thirds of the respondents hoped somehow to give good education to their children through their present means. The recognition that education is a means to a good job could be attributed to urban influence. The desire of working class parents that their children should be enabled to have better and more congenial jobs is a natural one which is at once an index of their sense of disappointment with their own lot in life.

The finding in regard to income reveals a reasonably satisfactory state of affairs. The distribution of respondents according to their own yearly income as distinguished from their family's total income is as follows: A little less than one-fifth of the respondents earn more than Rs. 1,500 per year; a little over two-fifths earn between Rs. 1,000 to Rs. 1,500; and a little over one-fourth of them earn between Rs. 701 to Rs. 1,000. Roughly, the average income per respondent comes to Rs. 1,227 per annum, as against the average yearly income of the family of Rs. 1,405. In other words, says the survey report, a respondent is able to count upon about Rs. 178 per year, in addition to his own income, to conduct the family's expenditure. But the finding in respect of expenditure reveals a rather unsatisfactory state of affairs with the average household expenditure being Rs. 1,547 per year as against its yearly income of Rs. 1,405 and thus involving a debt of Rs. 142. But most of this debt appears to have been caused by unavoidable remittances to dependents or relatives in the villages.

The impact of city life on the health of workers is brought out in the finding that 61 per cent of the respondents said that the city was responsible for illness in the house every now and then. This, the survey report says, is a clear index of the health conditions in the city, especially labour areas. The finding that the digestive system is the first to be affected by city life is interesting: as many as 37 per cent of the respondents complained that they felt a loss of appetite as compared with their previous condition in the village. The most conclusive evidence on health conditions of urban life is provided by the finding that the number of deaths on account of tuberculosis, typhoid, child-birth, pneumonia and asthma is far greater (double or more than double) in the city than in the village. "Chawl environments are very much conducive to the growth of tuberculosis bacilli. Typhoid bacilli flourish well in the city environments. Dysentery is proverbially commoner in the city than in the village. Cough, cold and asthma visit the city dweller oftener than do the ruralites". The contrast between rural and urban living grows very sharp in the case of deaths due to old age. The percentage of old age deaths in the city is 7 as against 31 in the village. It would thus appear that fewer people in the city live to reach old age, in contrast with the village. Another finding which throws light on health conditions in the city is that nearly half of the respondents visited their villages once a year, about a fifth twice a year and 6 per cent of them three times or more, that almost all (99 per cent) of them did so for recouping health or for a change of climate and that four-fifths of them expressed their desire to visit their villages oftener.

If health is a very important factor making for happiness, it is clear that the industrial worker has less of such happiness than the rural worker. At the same time his mental happiness is adversely affected

by the circumstance that although art and culture flourish in the cities, the workers have neither the money nor the leisure to engage themselves in the enjoyment of these pursuits. The survey report continues that the environment, the surroundings and the conditions in which the worker is forced to stay in the city cannot but lead to fatalism and morbidity. It is also recorded that, in the ultimate analysis, the impact of the present city life in respect of arousal and development of aesthetic sense is uncertain, vague, superficial and occasionally even disturbing. So long as this state of affairs (in which the means of aesthetic enjoyment are mostly not available to the workers) continues, they will always find fault with city life and will not develop emotional roots in an urban milieu. Their dissatisfaction with the city life is manifest from the finding that an overwhelming majority (99 per cent) would prefer to settle down in the village after retirement.

The question of mental happiness has another side in family or marital happiness and here, too, a disquieting state of affairs is revealed by the Bombay survey. As many as 41 per cent of the respondents felt there was greater family happiness in the village while 28 per cent considered it was greater in the city. As for marital happiness, as many as 44 per cent felt there was more of it in the village while 28 per cent felt it was greater in the city. About one-fourth of the respondents found want of leisure as an impediment to their marital happiness. The survey concludes at this point: "Studied in the totality of the situation, we find that the response eulogising everything rural is more a sentimental feeling than a result of the inconveniences and difficulties met with in the city. However, it would be unfair to completely ignore the limited accommodation, terrific congestion, dirt and squalor in which these workers live. Family happiness or marital happiness is difficult to imagine in such environment. Privacy and marital happiness go hand in hand, and it would be unfair to neglect this handicap of these workers in the city. While the city provides employment and income to these workers, it takes away from them the other essentials of a happy home".

If men have so many reasons for being dissatisfied with urban life, it is good to find that as many as 90 per cent of them were pleased with at least one major element in the urban situation, namely, the freedom of movement and communication that their women-folk enjoyed. They thought that such freedom was de-

sirable; this, of course, could be explained by the circumstance that menfolk do not have enough leisure to attend to daily shopping, make social calls, etc. Although, thus, the traditional attitude towards women has undergone some change for the better under the urban impact, the traditional joint family system has still its hold on the working classes due to its advantages in terms of mutual assistance and co-operation. This is confirmed by the finding that nearly 95 per cent of the interviewees were emphatic that the joint family system was good. This finding is significant in the sense that it belies the general impression that the joint family system has considerably disintegrated under the impact of both individualism and urbanisation. In the same way, the tradition that young people's marriages should be settled by their parents has not suffered much under the urban impact, what with 84 per cent of the respondents continuing to have faith in that tradition.

It is, however, in the matter of caste and casteism that urban life appears to have had a rather healthy influence on the migrants' mind. The relevant finding is that nearly three-fourths of the respondents thought caste discrimination was undesirable while 55 per cent had no objection to inter-caste marriage. They held, of course, more liberal views as far as social relations were concerned: 69 per cent would be willing to go to the house of a lower caste person for dinner or lunch if invited, while 73 per cent showed willingness to invite lower caste persons to their houses to share meals with them. These findings, however, do not appear to be conclusive for, not unoften, what is felt desirable is not reflected in actual practice on account of the continuing influence exerted by the workers' relatives in villages.

Not all the findings of the Bombay survey have been covered in the short compass of this article. But the most significant ones have been given to convey that urban life in the conditions of industrialisation has a large sector in which social tensions have their alarming psychological roots. If urban life mars the worker's physical health and mental happiness, there would have to be a process of either some ruralisation of urban industrial centres or some urbanisation of rural areas. The former is not a practical proposition, while the latter is if new factories come to be located, each separately, in rural areas. This will import some of the facilities of urban life into the rural environment.

SHORTCOMINGS OF THE COPYRIGHT ACT

(CONTRIBUTED)

THE Copyright Act, 1957, which has been brought into force from January 21, 1958, is, as usual, a hasty and incomplete piece of legislation. One has only to turn to the English Copyright Act, 1956, to get an idea of the points on which the Indian Act is defective. Our Act does not at all take into account the realities of the situation existing here. Law is meant to solve a particular social problem and, unless that problem is recognised, analysed, and its significance appreciated, it cannot be effectively tackled. In India, publishing is still in a nebulous stage and it cannot be said authors, as a rule, get a fair deal from publishers. It is known that in the law publishing trade especially large profits are made from sale of such publications, but the benefits are reaped by authors in that field from their arduous labours cannot be said to be adequate. A publishing agreement in the hands of a rich and powerful publisher becomes a handy weapon, with which he can bring the unfortunate author to his knees. Authors are usually poor and do not have the resources to go to a court of law to vindicate their rights. This is a very human

and practical problem in India at the present day. Yet the Copyright Act has treated it with lofty indifference.

A sensible copyright law should not merely protect literary property but also make the climate favourable for the production of good literature and ensure harmonious relations between the publisher and the author, who, in the ultimate analysis, are the two most potent and powerful instruments in the literary world. The copyright law should not merely be a law of property but also embrace a deeper social purpose. The Copyright Board should accordingly be given some powers of supervising the working of literary contracts and it should be able to pull up erring authors and publishers in suitable cases.

Again, a book may fetch huge royalties in one year, because the sales are phenomenal, and, in other years, the sales may be small. Huge income-tax is collected from the unfortunate author in one year and he has to starve in the lean years when the book has no sales. In such cases, the royalties should be distributed

ed over a period of years, so that the income-tax law does not become a source of harassment for the poor author. This anomaly has been pointed out by famous authors in England and, surprisingly enough, nothing has yet been done either there or elsewhere to remedy it. The pen is no longer mightier than the sword today. The International Copyright Order, 1958, made under S.40 of the Copyright Act, 1957, has clubbed together the countries which are signatories to the Berne Convention (it should be noted that the Berne Convention was modified by the Brussels Convention of June 26, 1948; still, the Schedule to the International Copyright Order, 1958 refers to the Berne Convention!) and those which have ratified the Universal Copyright Convention which came into force on September 18, 1955. As a result, Clause 3(a) of the International Copyright Order, 1958 is very loosely worded and does not reflect correctly the provisions of Articles 4 and 6 of the Brussels Convention. Article 4 of the Brussels Convention lays down that authors who are nationals of any of the countries of the Union shall enjoy in countries other than the country of origin of the work, whether unpublished, or first published in a country of the Union, the rights which their respective laws grant to their nationals as well as rights granted by the Convention. Article 6 lays down that authors who are not nationals of one of the countries of the Union, and who first publish their works in one of those countries, shall enjoy in that country the same rights as native authors, and, in the other countries of the Union, the rights granted by the Convention.

Let us take the case of Brazil, which is a signatory to the Brussels Convention and not to the Universal Copyright Convention. (Bulgaria is also one such country). A Brazilian citizen who publishes his book in Bulgaria enjoys in all the countries of the Union the same rights which are granted to their nationals. But a USA citizen (USA, by the way, is not a signatory to the Brussels Convention), who publishes a book in Brazil will enjoy in Brazil the same rights as native authors and, in other countries of the union, the rights given by the Convention. This is Article 6 of the Convention. Thus, a USA citizen who publishes a book in Brazil will not enjoy in India the same rights which are accorded to native authors. In other words, Clause 2(a) of the International Copyright Order, 1958 runs counter to Article 6 of the Brussels Convention. It is, therefore, better to make separate provisions for signatories to the Brussels Convention and the Universal Copyright Convention and not club them together under one head.

Section 3(a) of our Act defines 'publication' as the issue of copies of the work to the public in sufficient quantities. This is a reproduction of S.1(3) of the English Copyright Act, 1911 with the addition of the last three words. This definition is vague and unsatisfactory. If an author sends 100 copies of his book to the Press for review, in advance, this would fall within the definition of 'publication'. Authoritative opinion is that this does not amount to publication. ('Vide Copinger Copyright' 8th edn. p. 28). S.49(2)(c) of the English Copyright Act, 1956 defines publication as issue of reproductions of the work or edition to the public. The definition in Article 6 of the Universal Copyright Convention is simple and neat and runs thus: "Publication means the reproduction in tangible form and the general distribution to the public of copies of a work from which it can be read or otherwise visually perceived".

The Copyright Act, 1957 does not deal with ownership of copyright in films in a very satisfactory manner. S.17 says that the author of the work shall be the first owner of the copyright and S.2(d)(v) defines author in relation to a cinematograph film as the owner of the film at the time of its completion. S.13(4) of the English Copyright Act, 1956 vests the copyright in a film in the maker of the film. The cinematograph

Films Act, 1948, and S.13(10) of the English Copyright Act, 1956, define 'maker' as the person by whom the arrangements necessary for the making of the film are undertaken. S.14(4) of the English Act provides that copying a television broadcast by making, otherwise than for private purposes, a cinematograph film of it, or a copy of such a film, is invasion of copyright. In view of the fact that television is bound to come to India at no distant date, one would have expected at least some reference to it in our Act.

When a publisher purchases copyright in a book from the author outright, what he gets is the right to make copies of the manuscript. He cannot represent the author as the author of the work in the absence of a special contract. He must pay something to the author, in addition, for the privilege of using his name. This distinction is overlooked both by the Indian and the English Acts, and something must be done about this. For example, I might write a book and sell it to publisher X outright, and I might write and publish another book on the same subject without infringing the former copyright. If publisher X is allowed to put my name on the first book, there will be two books on the same subject appearing to be by the same author.

Both the English Act and our Act have left the thorny question of titles hanging in the air. The copyright owner cannot prevent the use of the title by anyone else, unless he can prove that the public was being misled into thinking that the competing work was his. Neither the author nor the proprietor of a literary work has any property in its name. It is a term of description which serves to identify the work; but any other person can, adopt it, with impunity, and apply it to any book or to the trade commodity, provided he does not use it as a false token to induce the public to believe that the thing to which it is applied is the identical thing which it originally designated. Ernest Hemingway successfully contended that a film "Fifth Column Squad" constituted unfair competition against his play "The Fifth Column". A sound copyright law should accordingly contain some provision regarding property or absence of property in titles, and should not pass on the problem to the law of torts.

Our law can take a cue from the USA law in respect of 'ad interim' copyright. Under this provision, the author can secure a temporary copyright for five years and import as many as 1,500 copies during this period, while the USA edition is being manufactured. A work published by a person not belonging to the Brussels Convention or Universal Copyright Convention countries published outside India or Convention Country would enjoy no protection under the existing law. Such a person should at least be allowed to get temporary copyright and then make arrangements for publishing the book in India or a Convention country.

THE EASTERN ECONOMIST

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3. The above rates of subscriptions include cost of delivery of copies at the addresses of subscribers.

Manager,

The Eastern Economist Ltd.,
52, Jan Path, New Delhi.

BOOK REVIEWS

FINANCE

Indian Finance: Annual and Year Book, 1957: 116, Lower Circular Road, Calcutta: Editor: C. Swaminatha Rangaswami Jr.: Price Rs. 10.

The Indian Finance Annual is a neat and tidy publication and contains besides the usual run of articles from contributors and a survey of some of the important industries a special section devoted to Industrial Profiles where one gets pen-pictures of some of the industrial units which are furthering the second Plan. In spite of the various difficulties that the Plan has encountered, the journal in its leading article, surveying the past year, takes on the whole an optimistic view. In three directions it sees silver linings which should provide one a hopeful picture of the future. One is the success attending the check in rise in prices. Second, the prompt measures taken to arrest any aggravation of the unfavourable balance of trade by drastic reduction in imports and third the significant development seen in the remarkable strengthening of the banking system. Thus it sees along with difficulties some favourable developments also which are elaborated in some of the succeeding articles as for example, the one on 'The Indian Economy: stable or uncertain?' and 'Private Sector ahead of schedule'. Some of the other articles pertaining to the Plan are 'Inflationary threat in a developing economy', 'Industrial relations and Labour Policy for India's second Five-Year Plan' and 'Food: Rising production versus Rising consumption'.

COMMERCE

Commerce: 1957 Annual Review Number: Brady House, Veer Nariman Road, Bombay: Editor: S. V. Rayan: Price Rs. 7.50.

The Annual Number of our contemporary from Bombay maintains its usual high standard and wide coverage making it such a useful source of reference on current economic developments. Besides the familiar list of contributions from well-known writers, it contains a comprehensive review of the Indian economy in the different sectors and trend of the different markets during 1957. The tone of the Number has been set in the course of the leading article which points out that "the biggest event of the year in India was not the General elections or the coming to power of the Communist Party in Kerala, but the clear exposure of the amateurishness of the Indian planners and policy-makers". It also asserts that it is a "misnomer" to characterise India's economic crisis as a crisis of development since it is only "designed to explain away the serious bunglings of the powers-that-be on the economic front", and concludes that the "crux of the problem is that the country does not possess nor is in a position to command enough real resources to fulfil the great tasks it has undertaken. It has no alternative but to reduce its targets and pitch them at lower levels". Broadly perhaps there is nothing much to cavil at in this point of view, but the real trouble arises not so much in the diagnosis but in working out the logical implications of the remedy suggested. Some of the articles in the Number no doubt deal with some aspect or other of this problem but one is still left in doubt as to whether one has heard everything about it. This certainly does not detract from the value of the articles but only points out the complexities of the challenge thrown by the Plan on different fronts. Among the various other contributions mention should be made of those on "India and the Sterling Area", "Implications of a European Common Market" and "Towards a rational public pay policy" in view of their topicality. In the objective survey of the Indian economy in the different fields, the account of the state of Food and

STATISTICS

An Introduction to Statistical Methods: By C. B. Gupta: Published by Ram Prasad & Sons, Agra: Price Rs. 12/-: Pp. 597.

Literature on the various aspects of the science of statistics is growing at a very fast rate in India. Whereas the basic techniques of the subject are set out in the same manner as in any publication from abroad on the same subject, covering the techniques of collection of data, sampling, measures of central tendency, dispersion and time series down to correlation, association of attributes and interpolation, the chief feature of this book is the masterly treatment of Indian statistics spread over nearly 100 pages. It is here that this book holds a significant advantage over similar publications from abroad. The Indian students, it has been observed, are found wanting when they leave the University in the knowledge of statistics about the Indian economy and the techniques whereby they are collected and put out. The book under review serves a useful purpose in expounding the work done by the various official and non-official agencies in India in filling the gaps in statistical knowledge. Of particular mention are the chapters on industrial statistics, national sample surveys and national income. Written primarily for the students, the book abounds in a number of exercises at the end of each chapter.

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The Business World

TWO SCHEMES FOR SUGAR EXPORTS

By
CROESUS

AS far as I can recollect, the proposal to export sugar in order to augment the country's earnings of foreign exchange has been under consideration of the authorities and the industry for over three months now. But, as yet, no definite decision would appear to have been reached on the subject. It is understood that there was a meeting of the Indian Sugar Mills' Association in Delhi some time in the third week specifically to consider this question, but there is no information to the public so far as to what transpired at this meeting except for a cryptic report that the meeting appointed a sub-committee to examine a couple of schemes that the Association is stated to have already submitted to the Government of India early this year. Nor is there any news from the side of the Government as to how and where the matter stands. Even in official circles which are expected to be vitally interested in this issue, ideas on the subject have apparently to become crystallised yet. In the circumstances, it is anybody's guess as to whether the Government would accept either of the schemes submitted by the Association, or allow each individual factory to export on its own, or set up its (Government's) own corporation in which both the industry and the government might participate, the latter presumably holding a majority or controlling interest.

Meanwhile, although no confirmation is available, there are reports in sugar circles in Bombay that there is no unanimity within the ranks of the industry itself about which of the schemes, namely those prepared by the Indian Sugar Mills' Association and the one proposed by the Deccan Sugar Factories Association, should be adopted. Although there would appear to be justification for approaching this issue either on a monopoly basis or on an individualistic basis, if past experience, on the one hand, and the seemingly widening differences within the ranks of the industry, on the other, point to anything, it is that, in the best interests of the industry and, what is more important, in the immediate context of the country's pressing needs of foreign exchange, the individualistic approach is to be preferred. In any case, it is high time that something was decided upon finally and implemented without further delay.

By reason of the reference to the different schemes under consideration, as stated above, I think it is necessary briefly to outline the salient features of these schemes. To take the I.S.M.A. schemes first. Under one of these schemes, it is proposed to form a public limited company to be styled as the Indian Sugar Marketing Corporation. All the sugar mills in the country are required to become members of this organisation and to take up shares. The affairs of the corporation would be in the hands of a board of directors, as in any other public limited company, with one of them as, say managing director or manager, to act as the chief executive of the corporation. This scheme further envisages that all sugar produced in the country should pass through the hands of this corporation, whether intended for internal consumption or for export abroad. Although the corporation is to have a monopoly of disposal of all the sugar produced in the country thus, individual sugar factories are not to be deprived of their right to make direct sales within the country, provided that, even on such sales, the corporation is allowed its commission. The Indian

Sugar Mills' Association is also believed to have submitted to the Government an alternative scheme, under which, instead of a public limited company, there would be an autonomous central corporation, membership in which is to be compulsory for all the sugar factories in the country. Instead of the factories holding shares, there would only be a limited membership fee in this case, based on the production of each mill and also linked to the loss on exports. In other words, the fee would vary depending on the loss actually incurred by a factory on its exports of sugar during a given period. The corporation would accordingly be a non-profit-making body. There would be complete freedom in the internal market, subject, of course, to the regulation of releases of sugar for internal sale by the factories periodically.

To the readers of this column at any rate, the broad outlines of the scheme prepared by the Deccan Sugar Factory Association and the ideas on the subject of the Deccan sugar interests must by now be quite familiar. The most notable feature of the scheme proposed by the D.S.F.A. is its individualistic character. Here, the export of sugar would be handled by each individual sugar factory without having to go through any centralised organisation. There is considerable flexibility, in that the scheme allows of factories exporting sugar themselves or in combination with other factories, or selling to parties or traders or other sugar factories for export. In other words, the same procedure as now obtains in respect of exports of textiles and other Indian commodities is to be followed. Under this proposal also, releases of sugar by the Government for internal consumption would continue and, in fact, in an even more rigid manner. However, as the objective is to reimburse the sugar factories for any loss they might sustain in exporting sugar, the quota is to be fixed in consultation with the industry and the releases are to be declared on a given date every month and strictly adhered to. The Deccan sugar factories' proposal is categorical that, in principle, there should be no discrimination in the matter of sugar releases as between one region and another region or as between one factory or another factory. The Government's intervention under this proposal is strictly confined to the granting of quota releases and export licences. An elaborate procedure has been evolved to ensure that no factory gets any unfair advantage over another by selling for exports its own sugar over and above the limit of its export quota, and also to see that no sugar released for exports once is kept back from being actually exported.

Among other features of the Deccan sugar factories' scheme, mention may be made of the suggestion for refund of cane cess in respect of exported sugar, simplification of excise formalities regarding sugar exports, and a flat freight rate for exportable sugar from any factory wherever situated.

Since the main objectives in the case of every proposal is to encourage exports and to reimburse sugar factories for any losses consequent on diverting their sugar from internal consumption to exports, one finds it difficult to explain the alleged differences in the results of the industry that are said to be standing in the way of a solution to the problem satisfactory to all concerned.

BUSINESS NOTES

SHORTFALL IN SMALL SAVINGS ?

FOR SOME time past, the small savings campaign, described as the backbone of our national efforts to mobilise internal resources for the Five-Year Plans, seems to have run into difficulties. The fall in small savings collection in the current year (1957-58) especially has been very steep. Thus, the collections during April-November 1957 amounted to only Rs. 28 crores, which is as much as Rs. 14 crores less than the savings collected during the corresponding period of last year! At this rate, the second Plan of Rs. 500 crores for the five years 1956-57 to 1961 may not even be approached, let alone reached. This poor performance calls for concerted action and, as Bombay's Chief Minister, Mr. Y. B. Chavan, said, a "crusade in the financial self-defence of the core of our second Five-Year Plan".

To be effective and successful, these measures must be realistic and should be undertaken after a careful study of the reasons for the recent sharp decline in small savings. The methods lately being employed by the Government to augment the inflow of small savings may seem novel, but some of these at least overlook the 'raison d'être' of the small savings movement. To mention only one or two, the proposed diversion of the contribution made to provident fund for buying savings certificates does not really constitute any additional accretion to savings. Similarly, organising of functions by celebrated cine artists and admitting to these functions of persons who have bought savings certificates over a period, however, original seemingly, again, misses the point. The underlying idea behind the small savings scheme is to make the small man plan-conscious and induce him to save and contribute whatever he can for the Plan. Be that as it may, the main reason for the fall in small savings, however, is the rise in prices and cost of living. Without holding the price line in check, it is futile to expect any increase in income from the small savings movement. Coupled with continuing inflation, the hoarding of food grains by producers and the general rise in interest rates have made the small savings scheme relatively less attractive, which explains the recent fall in the tempo of savings. The latest increase in the interest rates on postal deposits to 2½ per cent and the introduction of two new instruments of small savings with a yield of 4.25 and 4 per cent may have arrested the fall to some extent, but the gap between actual performance and the Plan target is still very wide indeed.

PROBLEMS OF STERLING AREA

THE SPEECH of the Chairman of the Lloyds Bank, Sir Oliver Franks, for the ensuing annual meeting circulated along with the report and accounts for the year 1957 particularly concerned itself with the external problems of sterling. This has great topicality since a good deal of attention has been focussed recently on the relations between India and the Sterling area. The Chairman drew attention to two features of the system which tended to promote the expansion of world trade. One was that it promoted the interest of its members and of the world economy as a whole in that individual sterling countries need not keep an exact balance either in their trade with each other or with the outside world provided that deficits were matched by surpluses elsewhere in the area. Secondly, the use of sterling as an exchange reserve kept down competition for the world's limited supplies of monetary gold.

The Chairman also pointed out that sterling balances held by countries outside the area were now fairly small compared with those of the overseas sterling countries and went on to say that the fact that a large proportion of these latter balances was earmarked for such purposes as currency reserves afforded no

great comfort since the example of India had shown that local currency laws could be easily amended. It is here that he seemed to touch a current controversy on the justification of India drawing on her sterling balances in view of her commitments undertaken under her Plan. It is no doubt true that one of the unwritten rules of the membership of the sterling area is that members should keep broadly in step in their own import policies and exchange controls. The Chairman himself however admitted that though from the collective point of view nothing could be more urgent than to build up the reserves again, yet individual Governments found it difficult to believe that any objective could really merit a higher priority than their own development programme. The fact is that it is not a question of individual Governments believing it, but a stark necessity which some of them at any rate could ignore only at their peril. It does not mean that there is no need for any self-restraint on the part of individual Governments in maintaining the reserves and so far as India is concerned, consistent with her own requirements, she is bound to do her utmost in maintaining the confidence in sterling.

POLITICS IN ECAFE TRADE TALKS

MR. V. P. MIGUNOV, leader of the Russian Delegation to the ECAFE Trade Committee's session, which concluded at Bangkok last week-end, could not have been unaware that his attempt to create confusion in the Committee's deliberations by gratuitous importation of politics would prove ineffective. The Russian technique of conducting political propaganda at any United Nations forum is now too familiar not to be uncovered. Quoting the general conclusion to the effect that the gold and foreign currency reserves of the countries of the ECAFE region were reduced by 25 per cent between September 1956 and September 1957, he singled out the US trade surplus as a contributory factor, obviously in an endeavour to magnify its proportion as the predominating factor. The dollar gap is widening recently not only in the context of the ECAFE region but in world context. It is a complex of various factors and cannot be oversimplified in terms of a "restrictive" American import policy. Mr. Migunov's other argument was that trade in this region could be expanded rapidly if, as he suggested in an oblique reference, discriminatory practices (implying embargo on trade with China) were given up. Over large parts of the region, the embargo is a fiction rather than a reality of any worthwhile magnitude. Already, it is becoming clear that Japan, a major trading partner in the region, is looking forward to resumption of trade with China. The American delegate, Mr. Eugene Braderman, could not, of course, allow the charges levelled against his country to pass unrefuted. But what he had to say was stated in concrete facts by the official report of ECAFE placed before the Conference at its opening—aid in the form of loans, technical co-operation, supply of surplus agricultural commodities and so forth.

There is in this report a frank reference to the increasing volume of Russian economic aid to the ECAFE countries. In fact, trade between Communist and non-Communist countries is becoming broader on the basis of bilateral agreements. Mr. Migunov's offer of Russian credits to ECAFE countries for imports of machinery and equipment for periods up to five years will ease the immediate payments problem of many of them. But this is essentially a matter for individual bargaining and must be pursued at that level. Instability in the markets for the export commodities of this region is a patent fact, but Mr. Migunov's offer on behalf of his country to "consider" long-term agreements for the purchase of "some" of the basic export commodities hardly improves the position. More signi-

ificantly, the exporting countries would be keenly interested to know whether Russia would be prepared to discard discrimination, which she otherwise so strongly denounces, latent in the multiple pricing system in her external trade. In the last analysis, the real value of exports or imports cannot fail to influence stability of trade.

WELCOME FOREIGN ASSISTANCE

FOREIGN ASSISTANCE from whichever source it comes is welcome at a time when India is faced with foreign exchange shortage. The recent Indo-French Economic and Technical co-operation agreement and the offer of yen credit to India from Japan in this context are of valuable help. The Japanese Government have agreed to extend to India the entire 18 billion yen credit (equivalent to about Rs. 25 crores) in the form of Government loans. Although the interest rates, period of repayment and other details have not yet been decided and are being negotiated at Tokyo currently, it is expected that the terms of agreements might be similar to those applied by the World Bank to its loans. The credit amount for the first year has been set at 5 billion yen (about £5 million) and will be given to India through Japan's Export-Import Bank. The loan is likely to be utilised for electric power generation, railroad and other transport equipment, port facilities and mining equipment—all items included in the core of the Plan.

Under the Indo-French agreement "The Government of France will facilitate the financing of the manufacture and delivery by French suppliers up to 25 billion francs (approximately 28 crores of rupees) during the next 12 months, of capital goods necessary for projects in the second Five-Year Plan". The contracts, to be eligible under this scheme will have to be approved of by both the Governments. The terms of each contract, including credit, will have to be negotiated separately in each case between the purchasers and suppliers. The text of the agreement makes this specific. The aid is appreciable in the context of our requirements and further-more its value lies in the fact that it represents a keen desire on the part of French Government to make its own contribution to our development programmes. The encouraging feature of this agreement is that it is also intended to promote closer technical co-operation between the two countries. How valuable this technical assistance is, there is obviously no need to stress when it is apparent that India has a shortage of trained personnel. This fruitful co-operation can be extended in certain other fields. It is important to remember that there are lines of production in which the French are specially experienced, e.g., certain fields of civil engineering, railway engineering, etc.

DEVELOPMENT OF SMALL INDUSTRIES

THAT THE Government of India was anxious to develop the small-scale industries was evident from the speech of Mr. Manubhai Shah, Union Minister for Industry, delivered at the 10th meeting of the Small-Scale Industries Board. The soundness of a production policy is judged by the avenues of employment it is able to create. Apart from the fact that small-scale industries were labour intensive, their development was a matter of necessity in view of the pattern which our economy has taken.

In regard to the assistance rendered, it was revealed by Mr. Shah that more than Rs. 4.5 crores had been sanctioned to the State Governments during the current financial year for the development of small-scale industries. In addition, Rs. 5.5 crores had been sanctioned for supply of machinery to small industries on higher purchase, industrial estates, industrial co-operatives and other schemes for small industries during the current year. The terms and conditions on which loans were advanced had been liberalised. The Financial Corporations in all States were advancing long and

medium-term loans out of their own funds. The State Bank of India had introduced a pilot project for providing working capital to small industries in 36 industrial towns. The Reserve Bank was also examining the possibility of placing some of the small industries on its approved list which would entitle them to credit through the co-operative banks. Besides, technical assistance was being rendered through Industrial Extension Service. Marketing problems of small industries were being tackled carefully by the help of the National Small Industries Corporation. Industrial estates and industrial co-operatives were being developed at a rapid pace.

While the assistance rendered by the Government is to be commended, it needs to be stressed that the pattern of industrial development in the decentralised sector will have to show an unmistakable bias towards mechanisation, if effective progress is to be maintained. The small-scale industries will have to function in conjunction with the bigger industries. In this matter the Japanese technique of small-scale industries could be of valuable help. The decision of the Government to set up a full fledged Small-Scale Industries Development Institute in Calcutta in co-operation with the Japanese Government was, therefore, quite timely. Lessons in Japanese technique could be a major step in the development of our small-scale industries on profitable lines. The inherent weaknesses in the organisational pattern, of course, needed to be overcome along with the further liberalisation of loan terms for the benefit of the smaller units.

INDIAN OXYGEN'S OFFER

THAT THE new issue offered for sale by the British Oxygen Co., Ltd., (the parent company of the Indian Oxygen Ltd.) would be fully subscribed, to say the least, is beyond doubt. It is noteworthy that it has been underwritten by the Industrial Credit and Investment Corporation of India. The sale, the expansion programme and the profit position of the Company lend weight to the expectation that the issue may be over-subscribed. The offer is for sale of Rs. 6 lakh ordinary shares of Rs. 10 fully paid up in Indian Oxygen Ltd., at Rs. 13.50 per share payable in full on application. The list will open on February 4, and close on February 7, or later at the discretion of the offeror. It is proposed to reserve a maximum of 30,000 shares (5 per cent of the issue) in the first instance for employees of the Company. Applications by persons other than employees of the Company must be for 50 shares or multiples of 50 shares. Employees of the Company may apply for 25 shares or multiples of 25 shares. The authorised capital of this public limited Company is over Rs. 4 crores and the issued and paid-up capital is Rs. 2 crores. The most attractive feature of the shares offered for public subscription is that they will rank for the dividend for 1957-58.

The overall position of the Company is very sound. Its sales have been increasing at a rapid rate in the past decade from a little over Rs. 1 crore in 1947-48 to Rs. 4.18 crores in 1956-57. The net profit for 1956-57 amounted to Rs. 31.48 lakhs against Rs. 29.92 lakhs in the preceding year, after providing Rs. 12.54 lakhs for depreciation against Rs. 10.78 lakhs and Rs. 39.48 lakhs for taxes against Rs. 38.21 lakhs during the two years respectively. In the last three years the Company paid a dividend of as much as 10 per cent.

So far as the expansion programme of the Company is concerned it is estimated to cost Rs. 3.21 crores. Of this, expenditure of Rs. 1 crore has already been incurred up to September 30, 1957, and the balance of Rs. 2.21 crores is proposed to be spent in the years ending September 30, 1960. There is no difficulty about the foreign exchange portion of the expenditure whatsoever as will be apparent from a scrutiny of the prospectus. A further amount of Rs. 75 lakhs of foreign exchange is being arranged. The demand for its products is bound to increase with the progressive industrialisation of the country.

Consent of the Central Government has been obtained to this Offer for Sale 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. Licences have been obtained from the Central Government for effecting a substantial expansion to an existing industrial undertaking and for the establishment of a new industrial undertaking. Copies of these Licences are open to public inspection at the Head Office of the Company. It must be distinctly understood that in granting these Licences the Government of India do not take any responsibility for the financial soundness of these undertakings or for the correctness of any of the statements made or opinions expressed in regard to them.

A copy of this Offer for Sale, having attached thereto the documents specified below, has been delivered to the Registrar of Companies, West Bengal, for registration as required by Section 60 of the Companies Act, 1956.

Application is being made to the Calcutta Stock Exchange for permission to deal in and for an official quotation for the whole of the issued share capital of the Company.

The Application Lists will open at 10 a.m. on Tuesday, the 4th day of February, 1958 and will close at 10 a.m. on Friday, the 7th day of February, 1958 or later at the discretion of the Offeror.

INDIAN OXYGEN LIMITED.

(Incorporated under the Indian Companies Act, 1913)

CAPITAL

Authorized Rs.	Issued and Fully Paid. Rs.
4,00,00,000	2,00,00,000

Ordinary Shares of Rs. 10/- each

The Company has no debentures, debenture stock or other loan capital outstanding but is indebted to The British Oxygen Company Limited in the sum of Rs. 16,91,743 on Special Loan Account and Rs. 1,13,16,165 on Current Account as at the 31st December, 1957. These amounts are unsecured.

The Company at present has overdraft facilities with its Bankers up to a maximum of Rs. 20,00,000 outstanding at any one time. As at the 31st December, 1957, on amount was outstanding on this account.

OFFER FOR SALE

by The British Oxygen Company Limited of Bridgewater House, Cleveland Row, St. James's, London, S.W.1.

OF

600,000 Ordinary Shares of Rs. 10/- each fully paid IN

INDIAN OXYGEN LIMITED

at Rs. 13.50 per share payable in full on application.

All the shares now being offered for sale are being underwritten by The Industrial Credit and Investment Corporation of India Limited of Union Bank Building, Apollo Street, Fort, Bombay-1, for a commission of 2 per cent on the sale price of the shares, making a total commission of Rs. 1,62,000. In the opinion of the Directors the resources of the underwriters are sufficient to discharge their obligations.

All the shares now being offered for sale are equity shares within the meaning of Section 85 (2) of the Companies Act, 1956.

DIRECTORS:

A. D. Vickers.	29, Netaji Subhas Road, Calcutta.	Chairman, Solicitor.
J. S. Hutchison.	Bridgewater House, Cleveland Row, London, S.W.1.	Chairman of The British Oxygen Company Limited.
R. G. C. Stephenson.	48/1, Diamond Harbour Road, Calcutta-27.	Managing Director.
C. H. Campbell.	Chartered Bank Buildings, Mahatma Gandhi Road, Bombay-1.	Merchant.
M. A. Sreenivasan.	Highground, Bangalore.	Company Director.
S. K. Sinha.	1, Sunny Park, Ballygunge, Calcutta-19.	Company Director.
A. K. Sen.	48/1, Diamond Harbour Road, Calcutta-27.	Finance Director.
T. R. Shields.	48/1, Diamond Harbour Road, Calcutta-27.	Sales Director.
C. Hawkins.	48/1, Diamond Harbour Road, Calcutta-27.	Technical Director.

BANKERS:

THE CHARTERED BANK, Chartered Bank Buildings, Calcutta-1.

BROKERS:

PLACE, SIDONS & GOUGH, 6, Lyons Range, Calcutta-1.
LEWIS & JONES, Bank of Baroda Building, Apollo Street, Fort, Bombay-1.
HARBANS SINGH MEHTA & CO., 33, Regal Buildings, Parliament Street, P.O. Box 300, New Delhi-1.
PATERSON & CO., 22, Errabalu Chetty Street, P.O. Box 48, Madras-1.

SOLICITORS TO THE COMPANY AND TO THE OFFER:

ORR, DIGNAM & CO., 29, Netaji Subhas Road, Calcutta-1.

PRICE, WATERHOUSE & CO., B4, Gillander House, Calcutta-1 (Chartered Accountants).

SECRETARY AND REGISTERED OFFICE:

A. K. BASAK, Chartered Accountant (England), 48/1, Diamond Harbour Road, Calcutta-27.

REGISTRARS:

JARDINE HENDERSON LTD., 4, Clive Row, Calcutta-1.

The Offeror will receive through the Company's Bankers, The Chartered Bank, applications for the above Ordinary Shares payable in full (i.e. Rs. 13.50 per share) on application.

It is intended to reserve a maximum of 30,000 (i.e. 5 per cent) of the above 600,000 shares for offer in the first instance to employees of the Company. To the

extent to which these shares are not taken up by employees they will be available to meet applications from the public.

Applications which, unless made by employees of the Company, must be for 50 shares or multiples thereof, must be made on the accompanying form and lodged, together with the full amount payable, before the close of the application lists, with any branch in India of The Chartered Bank. Employees of the Company may apply for 25 shares or multiples thereof and a special form of application, coloured blue, is provided for this purpose with copies of this Offer for Sale issued to employees.

Further instructions regarding application for shares appear later in this Offer for Sale and also on the Application Forms.

All expenses of the offer, including stamp duty payable on the first transfer of shares (from the Offeror to the applicant), will be paid by the Offeror.

The shares now being offered will confer the right to any dividend declared in respect of the Company's financial year ending 30th September, 1958. No dividend has yet been declared in respect of such financial year.

PARTICULARS

History and Business: Indian Oxygen Ltd. was incorporated and registered in West Bengal on the 24th January, 1935, as a private company limited by shares under the name of "The Indian Oxygen & Acetylene Co., Limited." On the introduction of the Companies Act, 1956, the name of the Company was changed to "The Indian Oxygen & Acetylene Co., Private Limited." The Company was converted into a public company on the 15th day of January, 1958 and at the same time its name was altered to "Indian Oxygen Limited".

The Company was originally formed for the purpose of taking over (and, after incorporation, did take over) as going concerns the businesses then carried on.

Firstly: By The Lightfoot Refrigeration Company Limited at Calcutta, Bombay, Lahore, Jamshedpur, Giridih and Kargali and at Colombo in connection with the manufacture and sale of Oxygen Gas and Liquid Oxygen Explosives and appliances therefor.

Secondly: By The Gas Accumulator Co. (India) Limited at Calcutta in connection with the manufacture and sale of Oxygen and Acetylene Gases and appliances therefor.

Thirdly: By Allen Liversidge (India) Limited at Bombay in connection with the manufacture and sale of Acetylene Gas and appliances therefor.

The Company is a subsidiary of The British Oxygen Company Limited and, as such, is a unit of an organisation having subsidiary and associated companies in Africa, Australia, Burma, Canada, Ceylon, Eire, Hong-kong, Malaya, New Zealand, Norway, Pakistan and the United Kingdom.

New companies were formed in Pakistan, Burma and Ceylon, as subsidiaries of The British Oxygen Company Limited, to commence operations as from the 1st August, 1949, after taking over the capital assets, stocks and certain other assets, together with certain liabilities of The Indian Oxygen & Acetylene Co., Limited in those territories. The Indian Oxygen & Acetylene Co., Limited ceased trading in those territories as from the 1st August, 1949, consequent upon the formation of the new companies.

The Company's present business consists of the manufacture and sale of Industrial and Medical Gases (including Oxygen, Acetylene, Nitrous Oxide and Dry Breathing Oxygen) and Electrodes and of the assembly, manufacture and sale of Welding and Cutting Apparatus and Equipment, and other similar articles.

The business is carried on in India at the Company's Head Office and factories in Calcutta and at branch factories and offices at Ahmedabad, Bangalore, Bombay, Burnpur, Delhi, Jamshedpur, Kanpur, Madras. Tiruchirappalli and Visakhapatnam and through depots at Bombay City, Baroda, Cochin, Delhi, Gauhati, Howrah,

Hubli, Hyderabad, Jaipur, Jullundur, Kolhapur, Ludhiana, Madurai, Nagpur, Patna, Poona and Vijayawada.

Development: Since its incorporation the Company has progressively expanded both its volume of production and its range of products and it is now the main supplier of India's requirements of Industrial and Medical Gases and Equipment for Welding and various other processes involving the use of Industrial Gases.

An indication of this progressive expansion is given by the following figures showing the total sales turnover during the last ten years:

1948	1949	1950	1951	1952
Rs.	Rs.	Rs.	Rs.	Rs.
1,08,52,455	1,36,59,064	1,33,03,772	1,53,97,836	1,69,25,955
1953	1954	1955	1956	1957
Rs.	Rs.	Rs.	Rs.	Rs.
1,97,39,770	2,34,03,420	2,67,96,882	3,45,59,726	4,17,74,429

NOTE: Sales in Pakistan, Burma and Ceylon up to 31st July, 1949, have been included in the above figures. After that date separate companies were, as mentioned above, incorporated in these countries to take over the business previously carried on there by this Company.

In order to meet the increasing demand for its products the Company has throughout adopted a progressive policy both as regards expansion of its factories and facilities and as regards replacement of old plant and machinery by modern equipment.

The industrial development plans initiated by the Government of India, and in particular the expansion in steel production envisaged by the second Five-Year Plan, are expected to give rise to a further very substantial increase in the demand for the Company's products. With this in mind the Directors have therefore drawn up a replacement and expansion programme. This programme involves the setting up of new factories and expansion and modernisation of existing factories and includes provision for the progressive manufacture in this country of certain equipment and accessories used in the process of Welding and Cutting which presently have to be imported from abroad. As indicated by the headnote on the first page of this Offer for Sale, Licences under the Industries (Development and Regulation) Act, 1951, have been obtained for the establishment of a new industrial undertaking for the manufacture of Gas Welding and Cutting Equipment and for effecting a substantial expansion to the Company's existing industrial undertaking for electrode manufacture. In the light of a recent Government Notification the Company has been advised by the Ministry of Commerce and Industry that Government now considers that Industrial Gases, Oxygen and Dissolved Acetylene, and also Fluxes of all types, are covered by the Act. This will necessitate the obtaining of certain further Licences under the Act and the necessary applications have been submitted.

The Replacement and Expansion programme, which is already in hand, is planned to be completed by approximately 1960 at an estimated cost of Rs. 3,20,88,423. Of this sum expenditure of Rs. 99,59,423 had already been incurred up to the 30th September, 1957, leaving a balance of Rs. 2,21,27,000 to be expended during the three years to the 30th September, 1960. The expenditure incurred to date has been financed, on a temporary basis, by The British Oxygen Company Limited partly by means of the Special Loan Account referred to on the first page of this Offer for Sale and partly by allowing the Company to withhold payment of amounts due to The British Oxygen Company Limited on Current Account.

Shortly before this Offer for Sale 680,000 Ordinary Shares of Rs. 10 each were issued to The British Oxygen Company Limited at par. Out of the total issue price (Rs. 68,00,000) Rs. 29,23,333 was paid by liquidation of a loan from The British Oxygen Company

Limited then outstanding. The balance of Rs. 38,76,667 was remitted to the Company in cash.

The Offeror (The British Oxygen Company Limited) has agreed to leave the net proceeds of sale of the present Offer for Sale, less Capital Gains Tax, if any, payable by the Offeror in respect thereof, on loan to the Company for a period of seven years at the rate of interest from time to time applicable to loans from The British Oxygen Company Limited to the Company. Such rate of interest is subject to adjustment in the light of prevailing conditions but at present stands at 6 per cent per annum.

In planning the financing of the Replacement and Expansion Programme the Directors have had due regard to the necessity of providing for adequate foreign exchange for the import of capital goods. In this connection the subscription by The British Oxygen Company Limited of the sterling equivalent of Rs. 68,00,000 (partly by liquidation of an outstanding loan to the Company and partly by remittance in cash) will be of great assistance but it is estimated that further foreign exchange to the extent of approximately Rs. 75,00,000 will be required for the Replacement and Expansion Programme. The Company is therefore engaged in negotiations with The Industrial Credit and Investment Corporation of India Limited and intends to open negotiations with the Commonwealth Development Finance Company Limited of London and it is hoped that these two Companies between them will lend to the Company a total of Rs. 75,00,000 available as foreign exchange. Should these negotiations for any reason prove unsuccessful it will be necessary to explore other possible means of raising the required amount of foreign exchange.

The balance in the hands of the Company resulting from the recent issue of 680,000 shares to The British Oxygen Company Limited; the net proceeds of this Offer for Sale (less Capital Gains Tax, if any) to be lent to the Company by the Offeror, the foreign exchange loans referred to above; (assuming the negotiations are successful) and the amount that is estimated to be available from the Company's internal resources (after making due allowance for the working capital which will be required during the three years to the 30th September, 1960) will be used to finance the Replacement and Expansion Programme including expenditure already incurred. It is proposed in the first instance to pay off the amount due to The British Oxygen Company Limited on the Special Loan Account and also at the earliest opportunity to pay off the sum presently due to that Company on Current Account.

Management, Staff and Technical Facilities: The Company has an experienced technical and executive staff; a large proportion of whom have been trained by the Offeror in the United Kingdom, and provides work for over 2,000 employees.

As a wholly owned subsidiary of The British Oxygen Company Limited the Company has had the benefit

of the wide technical experience and "know how" of that Company, consequent upon the conversion of the Company into a public company, with a view to the present Offer for Sale by the Offeror to the Indian public of a substantial part of the Offeror's shareholding, it is proposed to enter into an Agreement with the Offeror for a period of 5 years for the undertaking of joint research in the Offeror's research establishments in the United Kingdom, each party to pay an appropriate proportion of the cost of such research, subject to a maximum annual payment by the Indian Company of £30,000, and for the continuance of the various training and technical assistance facilities heretofore provided by the Offeror. The Agreement will also make provision for the continued use by the Company of registered designs, trade marks, patents, processes and inventions of the offeror and for reciprocal facilities to be given by the Company to the Offeror. Application has been made to the Reserve Bank of India for its consent to the proposed agreement.

Working Capital: Taking into account banks facilities the Directors consider that the Company has adequate working capital for its present requirements and the financial arrangements referred to above provide for working capital during the period of the Replacement and Expansion Programme.

Future Prospects: The growth of the Company's sales is reflected in the profit figures over the past five years. Whilst no assurance can be given as to future profits or prospects, it is considered that with the planned rise in steel production in this country there should be a ready absorption of the Company's present and proposed increased production.

The Directors anticipate that, in the absence of circumstances beyond their control, the profits of the current financial year should be sufficient to justify recommending a dividend for the year of 10 per cent free of income tax.

Auditors' Report: The following is a copy of a Report which has been received from Messrs. Price Waterhouse & Co.:

The Directors
The Indian Oxygen & Acetylene Co. Private Limited,
48/1, Diamond Harbour Road
Calcutta-27.
Dear Sirs,

B4, Gillander House,
Calcutta,
8th January, 1958.

We have examined the books and accounts of The Indian Oxygen & Acetylene Co. Private Ltd., which are kept in Calcutta and in which are incorporated the audited returns from the Branches, for the five years ended 30th September, 1957, and report that the profits of the Company are as set out below. These profits have been arrived at after charging all expenses of working and management including provision for normal depreciation as allowable for taxation and after making such adjustments as are, in our opinion, appropriate:—

	Year ended September 30, 1953	Year ended September 30, 1954	Year ended September 30, 1955	Year ended September 30, 1956	Year ended September 30, 1957
INCOME					
Sales and Recoveries	1,97,39,770	2,34,03,420	2,67,96,882	3,45,59,726	4,17,74,429
Miscellaneous Income	70,197	51,066	60,273	27,587	20,725
	1,98,09,967	2,34,54,486	2,68,57,155	3,45,87,313	4,17,95,154
EXPENDITURE					
Cost of Sales and Recoveries	1,19,34,762	1,39,02,828	1,55,34,830	2,10,94,178	2,61,57,756
Staff — Salaries, Wages and Incidental Expenses	23,59,363	25,22,067	27,89,111	30,88,457	38,32,438
Office and Administration	7,57,456	9,06,700	11,04,009	11,95,504	16,39,582
Selling Expenses	7,07,112	7,57,043	8,15,635	9,76,022	11,65,763
Miscellaneous Expenses	4,28,607	3,26,073	2,66,327	3,40,338	7,47,702
	1,61,87,300	1,84,14,716	2,05,09,912	2,66,94,499	3,35,43,241

	Year ended September 30, 1953	Year ended September 30, 1954	Year ended September 30, 1955	Year ended September 30, 1956	Year ended September 30, 1957
EXPENDITURE (Contd.)					
Net Profit before Depreciation and Taxation	36,22,667	50,39,770	63,47,243	78,92,814	82,51,913
Normal Depreciation	8,81,672	9,41,439	10,30,414	10,78,659	12,54,773
Net Profit before Taxation	27,40,995	40,98,331	53,16,829	68,14,155	69,97,140
Taxation after allowance of normal depreciation only	12,03,768	17,93,266	25,13,682	38,21,367*	38,48,416
NET PROFITS	15,37,227	23,05,065	28,03,147	29,92,788	31,48,724
* Exclusive of Rs. 7,50,600 Super Tax payable in respect of Bonus Shares issued during the year. Depreciation and Development Rebate figures not included above are as follows:					
Extra Shift Allowance	1,15,390	1,18,601	1,13,220	97,523	97,523
Double Allowance	5,90,895	6,33,658	7,05,480	7,32,010	8,84,798
Initial Allowance	4,10,819	2,90,933	2,03,955	2,61,756	..
Development Rebate	..	3,99,562	72,094	1,55,013	1,62,112
	11,17,104	14,42,754	10,94,749	12,46,302	11,44,433

We also report that the assets and liabilities of the Company as at 30th September, 1957, which is the last date to which the Company's Accounts were made up, prior to the date of this report, are as set out below. These assets and liabilities have been arrived at after making such adjustments as are, in our opinion, appropriate:—

	Rs.
ASSETS	
Capital Assets less Depreciation, Capital Work-in-Progress and Capital Goods in Transit	2,51,11,147
India Government Securities and other Investments at Cost	4,46,023
Stocks on hand and Goods in Transit	1,49,52,898
Sundry Debtors and Advance Payments less provision for Doubtful Debts	98,22,230
Cash at Banks in Transit and in hand	23,82,947
	5,27,15,245
LIABILITIES	
The British Oxygen Co. Ltd. Loan Account—Unsecured	29,23,333
The British Oxygen Co. Ltd. Special Loan Account—Unsecured	6,04,063
The British Oxygen Co. Ltd. Current Account	1,11,09,199
Sundry Creditors and other Liabilities	54,07,370
Cylinder Deposits	29,91,316
Taxation Provision less Advance Payments	50,55,938
Dividend Provision	13,20,000
Gratuity and Pension Provisions	11,61,272
Bank Overdraft—Unsecured	18,77,280
	3,24,49,771
	Rs. 2,02,65,474

NET ASSETS

Represented By:	
Issued and Subscribed Capital—13,20,000 shares of Rs. 10/- each	1,32,00,000
Reserves and Surplus	70,65,474
	Rs. 2,02,65,474

Contingent Liabilities: There are certain demands from the staff against the Company, mainly in regard to additional bonuses, revision of pay and dearness allowance scales, etc., which are not acknowledged as debts, and the amount in regard

to which cannot now be determined.

We further report that the dividends paid or proposed to be paid by the Company out of profits on its paid up capital are as follows. The dividends were paid or/are proposed to be paid without any deduction in respect of Income Tax paid or payable by the Company:—

	10,70,000 Shares of Rs. 10/- each.	Rs.
In respect of the year ended 30th September, 1953	8% per annum	8,56,000
In respect of the year ended 30th September, 1954	10% per annum	10,70,000
	13,20,000 Shares of Rs. 10/- each.	
In respect of the year ended 30th September, 1955	10% per annum	13,20,000
In respect of the year ended 30th September, 1956	10% per annum	13,20,000
In respect of the year ended 30th September, 1957	10% per annum	13,20,000

Yours faithfully,

Sd/- Price, Waterhouse & Co.

Statutory and General Information: The shares now being offered for sale were acquired by the Offeror prior to 1947. No part of the proceeds of this Offer for Sale is payable directly to the Company but, as mentioned above the entire net proceeds less Capital Gains Tax, if any, payable by the Offeror in respect thereof will be loaned to the Company by the Offeror. The expenses of this Offer for Sale, which are payable by the Offeror, inclusive of underwriting commission, brokerage, stamp duty, printing charges, Registrars' fees and legal and other charges are estimated at Rs. 5,20,000. This does not take into account Capital Gains Tax, if any, payable by the Offeror.

No share or loan capital is under option or agreed to be put under option.

The main objects specified in the Company's Memorandum apart from the taking over of the businesses of The Lightfoot Refrigeration Co. Ltd. The Gas Accumulator Co. (India) Ltd. and Allen Liversidge (India) Ltd. referred to above are:—

"To carry on the business of manufacturing and compressing oxygen, hydrogen, nitrogen, carbonic acid, acetylene and other gases or kindred substances or any compounds thereof by and process, and of selling or applying such gases, substances and compounds or any of them to such purposes as the Company may from time to time think desirable, and to manufacture, buy, sell, let on hire, and deal in engines, cylinders, compressors, machines and other apparatus and conveniences which may seem calculated to promote (directly or indirectly) the consumption of gases.

To manufacture and deal in metals, substances and materials of all kinds (including glass) which may be usefully or conveniently employed in the manufacture of receivers for compressed or liquefied articles and things used or capable of being used for closing or in the manufacture of appliances for closing such receivers or for closing or stoppering bottles or for liberating the gases or other contents of any such receivers or the tools required for or used in the manufacture of any such articles or things or for any of the purposes aforesaid.

To carry on the business of manufacturing, buying and selling dissolved acetylene, acetylene lamps, generators and plants, acetylene apparatus and accessories and other apparatus, appliances, articles and things which may seem calculated to promote or to be capable of being used in connection with the consumption of dissolved acetylene.

To carry on the business of chemists, druggists importers and manufacturers of and dealers in carbide of calcium and other pharmaceutical, medicinal, chemical, industrial and other preparations and articles, com-pounds, cements, oils, paints, pigments and varnishes, makers of and dealers in proprietary articles of all kinds, and electrical, chemical, photographic, surgical and scientific apparatus and materials."

No shares or debentures have been issued or agreed to be issued within the two years preceding the date of this Offer for Sale as fully or partly paid up otherwise than in cash and no shares have been issued at a premium within the said two years, nor are any shares presently intended to be issued at a premium.

The Company has not issued any redeemable preference shares and does not at the present time intend to do so.

No amount or benefit has been paid or given within the two years preceding the date of this Offer for Sale or is intended to be paid or given to any promoter or officer of the Company save as remuneration for services

Bonus Issue of	24,111 fully paid Ordinary shares of Rs. 10 each in	March 1940
do	24,111	April 1941
do	24,112	April 1942
do	40,000	December 1944
do	40,000	August 1945
do	2,40,000	May 1946
do	1,80,000	February 1947
do	35,000	November 1949
do	2,50,000	January 1956

During the two years preceding the date of this Offer for Sale no commissions, discounts, brokerage or other such terms, except as herein mentioned, have been granted to any person in connection with the issue or sale of any stock, shares or securities of the Company.

Contracts: The following contracts, not being contracts in the ordinary course of business, have been entered into by the Company with the parties mentioned during the two years preceding the date hereof and are or may be material:

(1) Dated 20th January, 1958 with Jardine Henderson Limited whereby the latter were appointed Registrars and Share Transfer Agents to the Company at a fee of Rs. 30,000 per annum and also undertook to perform various services for The British Oxygen Company Limited in connection with this Offer for Sale for a fee of Rs. 50,000. (2) Dated 10th July, 1956, with The British Oxygen Company Limited being an order placed by the Company for a Liquid Oxygen Plant for Bombay Branch for Rs. 7,66,670. (3) Dated 29th April, 1957, with The British Oxygen Company Limited being an order placed by the Company for a Liquid Oxygen Plant for Burnpur Branch for Rs. 8,76,820. (4) Dated 29th April, 1957, with The British Oxygen Company Limited being an order placed by the Company for a

as a director, managing director or employee of the Company.

On a show of hands every member present in person has one vote and every person present as a General Proxy (i.e. any Proxy other than a Proxy appointed for a specified meeting only) or as a representative for a body corporate, if he is not entitled to a vote in his own right, has one vote. On a poll the voting rights of members are as specified in Section 87 of the Companies Act that is to say, every Ordinary shareholder has a right to vote on every Resolution in proportion to his share of the paid up equity capital of the Company.

No member may exercise any voting rights either personally or by Proxy at any meeting of the Company in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the Company has or has exercised any right of lien.

The Board are authorised to borrow and secure the payment of any sums of money for the purposes of the Company but they may not, without the sanction of a General Meeting, so borrow any sum of money which will make the amount borrowed by the Company (exclusive of temporary loans obtained from the Company's bankers in the ordinary course of business) and then outstanding exceed the aggregate for the time being of the paid up capital of the Company and its free reserves, that is to say, reserves not set aside for any specific purpose.

The general powers of management of the Company are vested in the Board subject to the provisions of the Companies Act or any other statute, to the provisions of the Memorandum and Articles of the Company and to any regulations not inconsistent therewith duly made thereunder, including regulations made by the Company in General Meeting.

There has been no revaluation of the assets of the Company during the two years preceding the date of this Offer for Sale.

The following capitalisations of reserves or profits of the Company have taken place:

1,000 cubic feet Mobile Oxygen Plant for Rs. 2,88,000. (5) Dated on various dates between 10th February, 1956 and 27th September, 1957 with The British Oxygen Company Limited being orders placed by the Company for plant and machinery comprising cylinders, evaporators, oxygen compressors, liquid oxygen transport tanks, portable equipment for steel process work, water receivers, conversion units, filter units, alumina driers pipeline supply components, machinery for manufacture of welding fluxes and nozzles for a total sum of Rs. 76,42,058. (6) Dated on various dates between 17th January, 1956 and 2nd December, 1957 with Dalbhum Trades & Industries Ltd., Aluminium Manufacturing Co., Ltd., G. C. M. Burman, Indian Galvanizing Co. (1926) Ltd., Parry & Co., Ltd., General Electric Company of India Private Ltd., Cumberland & Martin Ltd., Process Plant Engineers, A. Reyrolle & Co., Ltd., (Indian Agency), Braithwaite & Co. (India) Ltd., C. A. Parson & Co., Ltd. (Indian Agency), Alfred Herbert (India) Private Ltd., H. G. Fewkes & Co. Private Ltd., Avery Co. of India Private Ltd., Martin Burn Ltd., Garden Reach Workshops Ltd., William Jacks & Co., Ltd., Batliboi & Co., Biyani & Sons (Private) Ltd., Bombay Company Private Limited, Madras, Nigam Brothers, Crompton Engineering Co., Parkeen Brothers, W. H. Brady & Co., Ltd., and Quasi-Arc Co., Ltd.,

being orders placed by the Company for miscellaneous items of plant and machinery for a total sum of Rs. 5,69,559. (7) Dated 18th October, 1956, with Bosana & Co. being an order placed by the Company for site preparation at Khardah for an Electrode Factory for Rs. 2,05,000. (8) Dated 4th March, 1957, with Bridge & Roof Co. (India) Ltd. for the construction of factory buildings for the new Electrode Factory at Khardah at an estimated cost of Rs. 15,30,000. (9) Dated 11th September, 1957, with the General Electric Company of India Private Limited being an order placed by the Company for electric installations at the new Electrode Factory at Khardah at an estimated cost of Rs. 78,000. (10) Dated 1st November, 1957, with H. G. Fewkes & Company Private Limited being an order placed by the Company for sanitary installation at the new Electrode Factory at Khardah at an estimated cost of Rs. 35,000. (11) Dated 5th August, 1957, with Mr. N. Guha for the construction of factory and office buildings at a new site at Burnpur at an estimated cost of Rs. 11,50,000. (12) Dated 14th October, 1957, with the General Electric Company of India Private Limited being an order placed by the Company for electric installations at the factory and office buildings at the new site at Burnpur at an estimated cost of Rs. 1,15,000. (13) Dated 5th August, 1957, with Mr. N. Guha for the construction of staff quarters at Jamshedpur at an estimated cost of Rs. 4,40,000. (14) Dated 5th July, 1956, with the Governor of the State of West Bengal regarding acquisition on behalf of the Company, at an approximate cost of Rs. 1,50,000 of an area of approximately 17.76 acres of land in Burnpur for an oxygen and acetylene factory and other buildings. (15) Dated 11th February, 1956, with the Gas Accumulator Company (India) Limited for assignment to the Company of quota rights held by that Company. (16) Dated 11th February, 1956, with the Gas Accumulator Company (India) Limited for the transfer of quota rights by the Company to that Company. (17) Dated 7th May, 1957, with Deloro Stellite Limited whereby the latter granted exclusive resale rights to the Company in India in respect of hard facing rods and electrodes as from the 1st April, 1957. (18) Dated 27th December, 1957, between the Company and Mr. R. G. C. Stephenson whereby Mr. Stephenson was re-appointed Managing Director of the Company from the 1st January, 1958, for a period of five years at a salary of Rs. 4,150 per month from the 1st January, 1958 to the 30th June, 1960, and Rs. 4,500 per month from the 1st July, 1960 to the 31st December, 1962, together with such allowances, appropriate to his appointment, as are determined by the Board.

Directors are interested to the extent that Mr. J. S. Hutchison is a Director and Member of the Offeror Company, Mr. A. D. Vickers is a Partner in the firm of Messrs. Orr, Dignam & Co., Solicitors to the Company, he and Mr. S. K. Sinha are Directors of Jardine Henderson Limited, the Registrars, and Mr. T. R. Shields is a Member of the Offeror Company.

The Articles of Association contain (inter alia) provisions to the following effect:

Subject to the provisions of Section 111 of the Companies Act the Board, without assigning any reason for such refusal, may, within two months from the date on which the instrument of transfer was delivered to the Company, decline to register any transfer of shares upon which the Company has a lien, and, in the case of shares not fully paid up, may refuse to register a transfer to a transferee of whom the Board do not approve.

Unless otherwise determined by the Company in General Meeting the qualification of a director shall be the holding in his own name or jointly with any other person, whether beneficially or as a trustee or otherwise, of 100 shares in the Company.

Unless otherwise determined by the Company in General Meeting the Chairman of the Board shall be entitled to receive out of the funds of the Company a fee of Rs. 20,000 per annum and each other director

who is neither a Managing Director nor a director in the whole time employment of the Company shall be entitled to receive out of the funds of the Company for his services in attending meetings of the Board a fee of Rs. 500 per mensem. All other remuneration, if any, payable by the Company to each director, whether in respect of his services as a Managing Director or a director in the whole, or part time employment of the Company shall be determined in accordance with and subject to the provisions of the Articles and of the Companies Act. The Directors shall be entitled to be paid their reasonable travelling and hotel and other expenses incurred in consequence of their attending at Board and Committee meetings and otherwise in the execution of their duties as directors.

If any director, being willing, shall be called upon to perform extra services or to make any special exertions in going or residing away from Calcutta for any of the purposes of the Company or in giving special attention to the business of the Company or as a member of a committee of the Board, then, subject to Sections 198, 309 and 310 of the Companies Act, the Board may remunerate the Director so doing either by a fixed sum or by a percentage of profits or otherwise and such remuneration may be either in addition to or in substitution for any other remuneration to which he may be entitled.

Subject to the provisions of Section 297 of the Companies Act a director shall not be disqualified from contracting with the Company either as vendor, purchaser or otherwise for goods, materials or services or for underwriting the subscription of any shares in or debentures of the Company nor shall any such contract or arrangement entered into by or on behalf of the Company with a relative of such director, or a firm in which such director or relative is a partner, or with any other partner in any such firm, or a private company of which such director is a member or director, be avoided nor shall any director so contracting or being a member or so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such director holding office or of the fiduciary relation thereby established.

Subject to the provisions of Sections 267, 268, 269, 316 and 317 of the Act, the Board may, from time to time, appoint one or more directors to be managing director or managing directors of the Company.

Subject to the provisions of Sections 309, 310 and 311 of the Act, a managing director shall, in addition to the remuneration payable to him as a director of the Company under the Articles receive such additional remuneration as may from time to time be sanctioned by the Company.

Every director, manager, secretary or officer of the Company or any person (whether an officer of the Company or not) employed by the Company as auditor shall be indemnified out of the funds of the Company against all liability incurred by him as such director, manager, secretary, officer or auditor in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted or in connection with any application under Section 663 of the Companies Act in which relief is granted to him by the Court.

Application for Shares: Applications by persons other than employees of the Company must be for 50 shares or multiples of 50 shares and must be made on the white form accompanying this Offer for Sale. Employees of the Company may apply for 25 shares or multiples of 25 shares in which case they must do so on the blue form accompanying the copies of this Offer for Sale issued to them. All application forms, properly completed, must be lodged, together with the full amount (Rs. 13.50 per share) payable on application, with any branch in India of The Chartered Bank, viz. at Amritsar, Bombay, Calcutta, Chowringhee (Calcutta), Cochin, Delhi, Kanpur, Kozhikode, Madras and New

Delhi. Payment should be made by cheque or draft in favour of "The Chartered Bank A/c British Oxygen" and should, for the applicant's protection, be crossed and "A/c payee only". A separate cheque or draft must accompany each application. Cheques or drafts drawn on The Chartered Bank, or drawn on any bank in the same town as that in which the branch of The Chartered Bank with which the application is lodged is situated, need include no allowance for collection charges. All other cheques or drafts must include bank charges at the rate of 25 nP. per Rs. 100.

Application from persons resident outside India will not be considered.

Acceptance will be notified by the despatch of an Acceptance Letter but the Offeror reserves the full and uncontrolled right of accepting or rejecting any application in whole or in part. Where an application is rejected or not accepted in full, the whole or the balance, as the case may be, of the application money received will be refunded to the applicant by post at his risk and any bank charges will be payable by the applicant. The Company has agreed to waive the first payment of transfer registration fees in respect of the transfer of shares from the Offeror to applicants whose applications are accepted and for which Letters of Acceptance are issued. Share certificates will be available for issue in exchange for Letters of Acceptance on or after the 25th April, 1958.

Brokerage at the rate of 12 nP. per share will be paid by the Offeror on acceptances made in respect of applications bearing the stamp of a recognised stock broker or banker. Brokerage on the same basis will be payable to The Industrial Credit and Investment Corporation of India Limited, in addition to the underwriting commission, on acceptances made in respect of applications made or procured by them provided that the relative forms of application bear their stamp.

Messrs. Price, Waterhouse & Co. have given and have not withdrawn their written consent to the issue of this Offer for Sale with a copy of their Report included therein in the form and context in which it is included. A copy of such consent, together with a

statement of the adjustments made by that firm in arriving at the profits and assets and liabilities shown in the Report and giving the reasons therefore, copies of the consents of the auditors, solicitors, bankers and brokers to the Company to act in those capacities and copies of the material contracts specified above have been attached to the copy of this Offer for Sale which has been delivered to the Registrar of Companies for registration.

A print of the Memorandum and Articles of Association of the Company, copies of the material contracts and of the agreement proposed to be entered into between the Company and the Offeror referred to above, the Report of the Auditors and their Statement of Adjustments and the Audited Accounts of the Company for the last five financial years may be inspected at the registered office of the Company during usual business hours (Saturdays excepted) for a period of fourteen days from the date of publication of this Offer for Sale or until the closing of the application list, whichever is earlier.

Copies of this Offer for Sale and forms of application can be obtained from any branch in India of The Chartered Bank and from any of the Brokers specified above.

Dated the 21st day of January, 1958.

DIRECTORS:

A. D. VICKERS
J. S. HUTCHISON) by their authorised agent,
C. H. CAMPBELL) **A. D. VICKERS.**
M. A. SREENIVASAN)
R. G. C. STEPHENSON
S. K. SINHA
A. K. SEN
T. R. SHIELDS
C. HAWKINS

OFFEROR:

F. LEWIN-HARRIS) by their authorised agent,
L. S. KINNEAR, Directors,) **A. D. VICKERS.**
The British Oxygen Com-)
pany Limited.)

Company Meeting

LLOYDS BANK LIMITED

THE STERLING & WORLD ECONOMY

The Annual General Meeting of Lloyds Bank Limited will be held on Feb. 14 in London.

The following are extracts from the statement by the Chairman, The Right Hon. Sir OLIVER FRANKS, G.C.M.G., K.C.B., C.B.E., circulated with the report and accounts for the year 1957:

The profit for the year, at £2,502,391 is slightly lower, by £39,402 than last year and we propose to repeat the 1956 dividend of 13 per cent per annum.

Although high rates as well as a high degree of activity in all sections of our business have again benefited our earnings, our operating costs continue to rise inexorably.

Our loans and advances are lower by some £9 millions than they were a year ago. The reduction would have been greater but for the two particular categories of lending I referred to in my statement last year. Our advances in the East have expanded along with our general business there, and we have continued to interest ourselves in the important and specialised field of medium-term credits to facilitate the export of major capital goods, a category of advances

excluded from the operation of the general restrictions upon bank lending.

EASTERN BRANCHES

A heavy and sustained demand for bank advances has been a pronounced feature of our operations in India during the past year. Both there and in Pakistan, a shortage of foreign exchange has led to a curtailment of imports, the financing of which is an important part of our business.

Our thanks are due to the Eastern staff for their devoted work in difficult conditions.

THE EXTERNAL PROBLEMS OF STERLING

As a member of the Radcliffe Committee, I cannot comment upon monetary developments at home during the past year. Instead, I propose to discuss some of

CURRENT STATISTICS

INDEX NUMBER OF WHOLESALE PRICES

(Base: 1952-53 = 100)

		Manufactures							
		Food articles	Liquor & Tobacco	Fuel Power Light & Lubricant	Industrial Raw materials	Inter- mediate Products	Finished Products	Total	All Commo- dities
1933-54	..	106.7	98.6	99.2	109.7	98.5	99.0	98.0	104.8
1954-55	..	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.5
1955-56	..	86.6	81.0	95.0	99.1	100.1	99.6	99.7	98.4
1956-57	..	102.2	84.3	101.1	116.0	110.9	105.5	106.2	105.2
June	1957	..	..	..	..	..	..	..	..
July	"	109.3	92.3	111.7	121.3	108.9	108.5	108.6	110.7
August	"	111.3	93.7	114.0	121.6	108.6	108.8	108.8	111.9
September	"	112.1	92.1	114.7	120.1	108.2	108.0	108.6	112.0
October	"	108.5	93.7	114.5	115.4	107.3	108.9	108.6	109.5
November	"	107.2	95.0	114.5	114.8	106.7	109.1	108.6	108.8
December	"	107.9	96.5	115.0	116.0	106.0	108.8	108.4	109.3
December	"	104.0	97.5	114.9	115.4	105.7	107.8	107.5	107.0
Week Ended									
7-12-1957	..	105.1	98.1	115.0	115.5	105.7	108.0	107.7	107.6
14-12-1957	..	104.4	98.1	115.0	115.6	105.9	107.9	107.6	107.2
21-12-1957	..	103.6	97.3	114.8	115.8	105.5	107.7	107.4	106.8
28-12-1957	..	102.9	97.3	114.8	114.8	105.6	107.7	107.4	106.3
4-1-1958	..	102.8	98.1	114.7	114.1	106.8	107.7	107.5	106.2

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

period	Bombay		Ahmedabad June 1927= 100	Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India
	Bombay	Bombay June 1934 =100		Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936= 100	Ludhiana†	Jamshedpur†	
1939 (Aug.-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	188	136	136
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	139
1951	314	330	261	142	370	451	391	168	334	167	160	140
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	158	142
1954	342	359	244	138	327	408	373	139	341	149	140	139
1955	322	338	218	130	321	371	364	133	321	134	135	135
1956	336	352	244	142	347	424	397	151	356	152	146	141
1957	—	—	—	150	—	448	—	—	375	—	—	—
1957 February	340	356	253	151	350	438	412	158	369	157	148	141
March	339	355	254	151	348	433	414	158	367	158	148	141
April	339	355	256	148	345	427	415	162	369	161	152	141
May	346	362	257	151	352	441	420	163	369	157	156	151
June	352	368	259	152	371	446	423	168	373	159	156	151
July	358	374	263	152	371	459	424	165	375	159	156	151
August	359	375	265	155	375	468	427	163	373	157	160	151
September	357	373	262	149	378	464	426	160	372	156	167	151
October	356	372	260	149	375	461	429	162	375	155	166	151
November	367	383	265	148	378	459	—	165	391	151	—	151
December	—	—	—	145	—	445	—	—	390	—	—	151

† Base 1944-100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	17-1-1958			10-1-1958			3-1-1958			27-12-1957		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola) ..	110.72	109.28	109.90	109.62	108.25	109.01	108.31	107.75	108.07	108.72	107.81	108.41
Silver (per 100 fine tolas)	188.00	186.69	187.37	189.37	186.37	187.72	187.25	186.25	186.69	187.06	185.00	186.17

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1938 39* ..	182,36	28,28	210,64	44,42	66,95	111,37	52.91	67,11	32,16	210,64
1948 49* ..	1,231,84 (5,58)	22,02 (—)	1,253,86 (5,58)	42,49	907,47	949,96	75.43 (90)	42,96 (5,58)	265,62*	1,253,86 (5,58)
1949 50* ..	1,128,94	24,00	1,152,94	40,02	647,04	687,06	59.59	50,53	415,36	1,152,94
1950 51* ..	1,163,21	17,19	1,180,40	40,02	624,70	690,36	56.31	57,21	458,47	1,180,40
1951 52* ..	1,189,84	27,78	1,217,62	40,02	625,27	665,29	54.64	63,98	488,36	1,217,62
1952 53* ..	1,114,84	27,87	1,142,72	40,02	664,40	604,02	52.89	80,22	458,08	1,142,72
1953 54* ..	1,133,95	23,03	1,156,97	40,02	694,02	634,04	54.80	92,83	430,11	1,156,97
1954-55* ..	1,196,19	22,98	1,219,18	40,02	648,81	689,83	56.58	102,26	428,09	1,220,18
1955-56* ..	1,339,39	17,08	1,356,47	40,02	656,52	696,54	51.35	106,87	553,06	1,356,47
1956 57* ..	1,475,77	18,75	1,494,52	44,42 (117,76)	545,61	595,63 (663,37)	39.95 (44.37)	115,61	755,22	1,494,52
<i>Average of Fridays</i>										
May 1957 ..	1,582,22	17,53	1,599,75	117,76	412,52	530,28	33.35	125,60	943,87	1,599,75
June ..	1,667,48	29,03	1,596,51	117,76	412,52	530,28	33.28	125,17	941,06	1,596,51
July ..	1,527,79	34,84	1,562,62	117,76	406,52	524,28	33.55	127,54	910,81	1,562,63
August ..	1,495,65	30,71	1,562,37	117,76	369,52	487,28	31.92	131,22	907,87	1,526,37
September ..	1,477,66	36,41	1,514,07	117,76	338,60	456,36	30.14	133,82	923,89	1,514,07
October ..	1,487,74	26,43	1,514,17	117,76	317,92	435,68	28.78	133,92	944,57	1,514,17
November ..	1,481,61	32,86	1,514,47	117,76	293,14	410,90	27.13	134,22	969,35	1,514,47
December ..	1,508,32	14,69	1,523,01	117,76	278,95	396,71	25.28	132,76	993,53	1,523,01
<i>Week Ending</i>										
20 12-1957 ..	1,504,60	18,58	1,523,18	117,76	280,19	397,95	26.12	132,93	992,29	1,523,18
27-12-1957 ..	1,506,79	16,52	1,523,31	117,76	275,23	392,99	25.60	133,06	997,26	1,523,31
3-1-1958 ..	1,523,06	9,13	1,532,18	117,76	275,23	392,99	25.65	132,00	1,007,20	1,532,18
10-1-1958 ..	1,540,72	10,21	1,550,93	117,76	270,26	388,02	25.02	130,81	1,032,10	1,550,93
17-1-1958 ..	1,540,26	10,76	1,551,10	117,76	245,54	363,30	23.42	130,89	1,056,82	1,551,10

BANKING DEPARTMENT

Rs. Lakhs)

PERIOD		DEPOSITS					Other Liabilities	TOTAL LIABILITIES & ASSETS**	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad \$	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
		Central Government	Other Governments	Banks	Others	Total									
1938 39*	..	14.90	..	16.19	75	31.84	1.28	43.12	28.38	1.53	4.21	1.72	2	6.36	90
1948 49*	..	222.17 (14.33)	16.03 (3.04)	80.53	56.52	393.72	15.33	419.05	22.12	4.28	307.78	1.71 (1)	3.34	75.65	4.14
1949 50*	..	141.19	23.12	67.00	64.39	295.69	15.76	321.45	24.12	4.30	280.91	3.35	8.39	980.54	4.34
1950 51*	..	148.60	17.71	62.22	62.29	280.82	18.14	318.97	17.31	3.04	107.70	2.37	6.77	76.72	5.06
1951-52*	..	181.30	15.95	58.68	69.22	325.15	18.62	353.77	27.92	6.31	187.14	5.90	18.42	95.19	11.91
1952 53*	..	136.40	7.79	52.89	61.93	259.02	23.69	292.71	28.03	6.64	133.56	2.85	19.03	89.77	12.83
1953 54*	..	105.44	23.40	46.52	57.45	232.80	23.91	266.72	23.22	9.46	123.31	1.78	19.84	81.58	7.51
1954-55*	..	89.13	20.66	55.20	36.29	201.28	23.62	234.90	23.24	6.10	87.53	1.14	26.55	80.52	9.82
1955-56*	..	60.11	19.85	53.77	18.31	152.04	35.59	197.64	17.21	9.78	66.96	1.73	36.99	49.36	15.61
1956-57*	..	57.52	14.10	52.46	19.73	143.81	91.21	245.02	18.91	5.69	64.77	4.89	85.34	51.82	13.60
Average of Fridays															
May	..	52.89	4.38	63.37	83.53	204.18	152.64	366.82	17.67	4.45	64.50	18.91	111.31	136.35	13.62
June	..	53.09	3.29	71.77	112.40	240.55	153.86	404.41	29.16	3.82	46.96	24.53	98.02	188.36	13.57
July	..	53.64	2.79	86.56	149.28	292.27	45.01	422.28	34.97	3.10	29.21	26.99	74.82	241.04	12.15
August	..	65.46	7.40	90.60	126.86	290.31	46.20	421.51	30.84	3.38	20.94	31.46	81.90	244.49	8.49
September	..	51.52	7.96	101.67	110.31	271.46	49.15	405.61	36.54	5.99	27.32	42.96	68.80	211.07	12.99
October	..	51.93	7.91	98.04	112.25	269.12	56.59	410.71	26.53	3.04	18.34	49.26	72.21	223.35	17.98
November	..	52.89	8.94	104.79	110.91	277.53	58.06	420.59	33.00	2.28	24.37	41.23	58.22	244.15	17.55
December	..	57.64	8.22	76.00	115.07	255.94	58.52	399.46	14.80	4.78	24.38	36.07	55.13	245.08	16.22
Week Ending															
20-12-1957	..	64.87	8.16	74.44	115.11	262.59	132.02	404.61	18.70	6.40	22.38	36.40	58.76	246.34	15.61
27-12-1957	..	53.54	13.01	70.69	113.70	250.93	137.24	398.18	16.63	2.70	22.42	35.03	60.04	245.12	16.23
3-1-1958	..	52.50	8.10	66.37	115.70	242.67	64.71	392.38	9.19	3.16	17.96	34.60	67.41	243.74	16.31
10-1-1958	..	49.69	16.16	60.29	115.66	241.79	63.60	390.39	10.33	3.74	19.63	34.62	73.47	231.87	16.6
17-1-1958	..	52.11	31.35	65.20	115.83	264.49	87.47	436.96	10.87	4.06	42.20	35.37	72.36	255.43	16.6

* Average of Fridays. ** Includes (i) paid-up capital of Rs. 5 crores and (ii) reserve fund of Rs. 5 crores up to June 28, 1957 and of Rs. 80 crores from July 5, 1957. † Includes National Agricultural Credit (Long-term Operations) Fund of Rs. 15 crores from July 6, 1956 and of Rs. 20 crores from July 5, 1957 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 2 crores from July 5, 1957. § Includes cash and short-term securities Figures in brackets refer to Pakistan. NOTE: The Gold Reserve of Issue Dept. are revalued at Rs. 62.50 per tola from Oct. 6, 1956.

The North and the South in Vietnam are poles apart, and they belong to two different worlds. How New Delhi can use its good offices to bring about harmony between the two halves, is anybody's guess.

Dr. Ho has taken the very first opportunity to emphasise that the Geneva Agreement of 1954 "recognised the sovereignty, independence, unity and territorial integrity of Vietnam" and that "the Vietnamese people are endeavouring to consolidate peace, to build up their country and to reunify their fatherland". Before examining this statement more closely to avoid confusion in the mind of the Indian public, it has to be recalled that the Geneva Agreement specifically laid down that the State of Vietnam was to be partitioned into two approximately equal areas by a demarcation line near the 17th Parallel, the northern part passing under the control of the Viet Minh Government and the southern part remaining under the control of the Vietnamese Government. The partition of Vietnam was thus brought about with the full concurrence of the then Viet Minh Government (now called the Government of the Democratic Republic of Vietnam). But the then Vietnamese Government in the South was not a party to the agreement. Another crucial provision of the agreement was that elections would be held simultaneously in both parts of Vietnam by July 20, 1956, with the aim of establishing a unified Government and they would be organised after consultation between the Viet Minh and Vietnamese Governments. Some other crucial provisions were that the International Armistice Commission would ensure that there were no military reinforcements by either side during the armistice, that there would be no bar to the continued presence of the French Expeditionary force in South Vietnam, that exchanges of prisoners-of-war and civilians wishing to move from the Communist to non-Communist side, and vice versa, would be carried out without impediment, and that political reprisals would be prohibited, both against individuals and their families.

How far the above provisions have been carried out even more in their spirit than in their letter would probably throw some light on the reasons for delay in reunification. It is not difficult to figure out where the fault lies. One plausible explanation is that North Vietnam's Communist Government, with its fixed goal of communising the South under cover of unification, have not been genuinely interested in fair and free elections which might have gone against it. Another plausible explanation is that the South Vietnam Government, not being a party to the Geneva Agreement, could justifiably object to a kind of unification which might result in a Communist government being installed for the whole of Vietnam. The view that the possible coming to power, by democratic means, of Communists in a reunified Vietnam should be welcomed, cannot cut much ice in South Vietnam which has a full awareness of some unsavoury consequences of Communist rule in the North.

One of these consequences is the inflow into South Vietnam of about one million refugees from the North since 1954. Although the Communist Government did their worst, in contravention of the relevant provision in the Geneva Agreement, to prevent those who wished to leave from doing

so, they left their ancestral homes to live in peace and freedom in an unknown part of the country. At the same time the South Vietnam Government which was not a party to the Geneva Agreement helped, without obligation, 140,000 Communists reach the North. After some time the Viet Minh refused, in violation of the Geneva Agreement, to allow any more refugees to leave the north at all. This was the unkindest cut of all to the refugees' kith and kin who could also have come in to be rehabilitated in peace and freedom in the 350 new villages that had sprung up in the South. According to the Refugee Commission, another million refugees could have been easily accommodated if the Viet Minh had allowed them to leave the North.

It looks as though this problem of refugees has rendered the breach between the North and the South unbridgeable. These refugees, with their bitter memories of the dangers of Communism, would impart strength and stability to the free and democratic South Vietnam and restrain the misguided enthusiasm of some sections of its population for unification of their divided country under a Communist Government. To the people in the South, the Viet Minh cry of unification of the fatherland may still have some attraction in the context of Communist performance in the matter of land reforms. This performance may be described in a nutshell: reduction of land rents in the first instance and subsequent confiscation of landlords' lands and their distribution to landless tillers on the Chinese model. The forces of production released by these reforms can be enduring only if co-operation and collectivisation are not resorted to as in China. But the Chinese example is, sooner or later, bound to be followed, and this will be duly noted in the South where land reforms of the kind instituted in post-war Japan and South Korea may be expected to strengthen the democratic roots in the countryside and establish a stable and prosperous system of peasant proprietorship. This may well turn out to be a potent factor for undermining the attraction of Communism in South Vietnam.

The chances of a peaceful and democratic reunification of the two halves of Vietnam would thus appear to be slender. At the same time the relentless pressure of the Viet Minh to bring about unification by any means may be expected to continue. If the 38th Parallel in Korea constituted no barrier to the attempted forcible unification of that country in 1950, history may conceivably repeat itself on the 17th Parallel. There is no denying that the division of an otherwise homogeneous country like Vietnam is unnatural. It is so unnatural that the temptation to use unnatural means to annul the partition cannot be entirely ruled out. Equally, the determination of the South Vietnam Government to bring about, by peaceful means, reunification under a democratic government would also be a continuing factor to be reckoned with. What, in the circumstances, lies in the lap of the future, nobody knows. At least this much is certain: Ho Chi Minh and Ngo Dinh Diem hold the key to that future. India is keen on friendship with both, but this friendship cannot be found by espousing totalitarianism against democracy. For that would be a betrayal of ourselves. Thus we need to walk warily; we cannot treat totalitarianism and democracy alike.

America's "Alpha 1958"

FEBRUARY 1, 1958, witnessed America's long-awaited launching of its earth satellite. From the standpoint of propaganda and cold war, though seventeen weeks too late, over a thousand pounds too light and about 365,000 lb.-thrust too slow, "Alpha 1958", as it has been christened, is likely to survive longer. It may also prove scientifically more important than Russia's Sputniks I and II. The Sputnik I, it may be remembered, disintegrated after fifteen weeks, and Sputnik II, already invisible and its radio silent, may eat the dust, so to say, in a matter of months. The American "moon" is expected to stay up for several years, which, in the words of Poland's top space expert, Professor Jan Gadomski, represents a "tremendous achievement surpassing the Soviet Sputniks in scientific value." The Pole, apparently un-interested in decrying the Soviet achievements, has been "impressed" above all by its distance from the earth and the amount of information "Alpha 1958" is capable of relaying. Mr. Kenneth Getland, Vice-President of the British Interplanetary Society, another unimpeachable authority on the subject, is of the opinion that "the Americans, with their higher equipment, may be on the verge of sending small unmanned rockets to the moon and may even beat the Russians at this!"

Comparisons between "Alpha 1958" and the Sputniks in terms of weight, size and speed, though inevitable, are however pointless. What is important is that Russia's seeming monopoly of outer space has at last been broken. It merely confirms, what could, indeed, have never been denied, given its scientific and technological level America could invade outer space. As far back as mid-1955, the United States Army sought permission to launch a "moon" but the Eisenhower Administration did not give it the green signal for fear of diversion from research in military "hardware". But the Sputniks changed the Administration's mind and in a matter of seventeen weeks, America has been able to be level, if not higher, with Russia in a field with infinite scientific possibilities.

During these seventeen weeks America's prestige touched a low point and its people felt having been let down by their leaders. This general American pessimism percolated to the West European community also, sustained hitherto with the help of the United States. Russia's pristine strength, based on the Sputnik achievements, perceptibly added to misgivings in Western Europe and Russia's control of its eastern satellites looked like being made eternal. In the Middle East and in the newly-liberated countries of Asia, the Russian Sputniks lent justification to those States which had lately tended to look to Russia rather than the West as a source of effective military power. Given the power which was required to launch these earth satellites into outer space, the problem of directing inter-continental ballistic missile upon its targets had, it looked, either been solved or was near solution. Bearing in mind that the territory under the control of the Kremlin embraces 150 degrees of longitude, all parts of the world became vulnerable to Soviet weapons of mass destruction. The Russian empire was, of course, ringed round by the American airfields, and it was as vulnerable as ever to American atomic attack. But a tendency developed among the peoples of the free world of being held in

ransom. "Alpha 1958" now restores not only the balance but a sense of proportion on the part of all concerned.

Wracked by fear, many in the world will still no doubt tend to judge the importance of the American satellite not by its scientific value but by the power of thrust which has sent it into outer space. Moreover, now that both Russia and the United States have mastered the secret of conquering outer space, the realization must follow that a balance of power capable of outlawing war has at last been achieved. No one will now be negotiating from a position of inferiority and an agreement need occasion no fear of diplomatic defeat for either of the two power blocs.

Up to now Russia's insistence on an early summit meeting has generally been interpreted as motivated by Soviet eagerness to exploit the psychological advantage of being the only explorers of outer space. The American hesitation to accept the proposal for such a conference was, *per contra*, attributed to that country's psychological and technological "defeat" at the hands of the Russians. "Alpha 1958" should alter this situation. Mr. Khrushchev's criticism of Mr. Eisenhower's proposal for the use of outer space for peaceful purposes is no longer valid. The Americans are ready to ban something which is not beyond their acquisition and accomplishment. It should, therefore, be possible to take steps to persuade Russia to accept co-operation in the development of space exploration in the cause of peace. Negotiations now cannot be mistaken for appeasement. The time has come for the two giants to sit across a table and plan peace. From the point of view of the neutral countries, it is surely a good thing in itself that no single power now enjoys a position of unapproachable preponderance in the world of science.

The launching of the Sputniks and the earth satellite has once again confirmed one thing more: neither the free world nor the Communist bloc can hope to build its strategy around momentary technical lead. It is immaterial whether it is the free world or the Russian empire that possesses more of deadlier weapons. Numerical superiority has little relevance in the nuclear age. The ultimate deterrent to the unleashing of unlimited war in the conditions of today is the fear not of defeat but of universal chaos and destruction. The new developments have also rendered Mr. Dulles's plan of zonal inspection obsolete. Ballistic missiles require neither elaborate bases nor strategic air force for launching them with atomic warheads.

There is of course nothing too sacred for the devil. He cannot only quote the scriptures, but may as well employ an earth satellite to further his foul ends. And the increase of striking power that advancing scientific knowledge gives does not totally rule out the possibility of limited wars or of wars by proxy. The problem that faces the free world is to devise a new policy in regard to the uncommitted nations, for the Communists will now try to realize their dream of "world revolution" by internal subversion, through economic aid. A new diplomacy for the nuclear age and a new political philosophy, more in conformity with the new situation, are imperative. The free world can only check Communist subversion by proving

that it means to practise, as far as possible, its cherished principle of equality among nations, big and small, despite the exigencies of emergency, real or imaginary. After all, the main advantage

of the Russians so far has been their ability to exploit the feeling of nationalism in the colonial, semi-colonial and no less in the newly-liberated Afro-Asian countries.

A Delhi Seminar

IT is with some circumspection that the deliberations of the Delhi Seminar on Labour-Management Co-operation held last week-end should be viewed. What has emerged is undoubtedly some agreement over the scheme for the establishment of joint management councils. However, notwithstanding the pious platitudes that found expression, it is patent that, understandably enough, very many doubts should have been raised over the whole issue of worker participation in management. As a principle adumbrated in the Plan in pursuance of building up a socialist pattern, it undoubtedly behoves Government to take whatever steps necessary for furthering this object. What is to be guarded against is the danger of converting a scheme into a slogan in the impatience for "quick progress".

As an experiment with far-reaching implications, there can be no gainsaying that workers' participation is not entirely a feasible proposition in this country at this stage and at best only a slow beginning can be made in some undertakings. From this point of view, the caution exhibited in the Delhi Seminar on the setting up of joint councils is understandable. It has been agreed that the whole scheme is to rest on the solid base of voluntariness and as a corollary to this, it is to be introduced only in 30 undertakings covering both the public and the private sectors, to begin with. The difficulties that arose, however, in the course of the discussions over the composition and functions of the councils, as for instance, over the question of supply of information on economic and financial matters concerning the firm and the relations with the works committees only tend to show the enormous complications to be faced in showing the evolving any agreed scheme. The record of the works committee hitherto should, if anything, serve as a warning that it will not be smooth sailing for joint councils to function automatically in such a way as to reduce industrial strife and resolve differences.

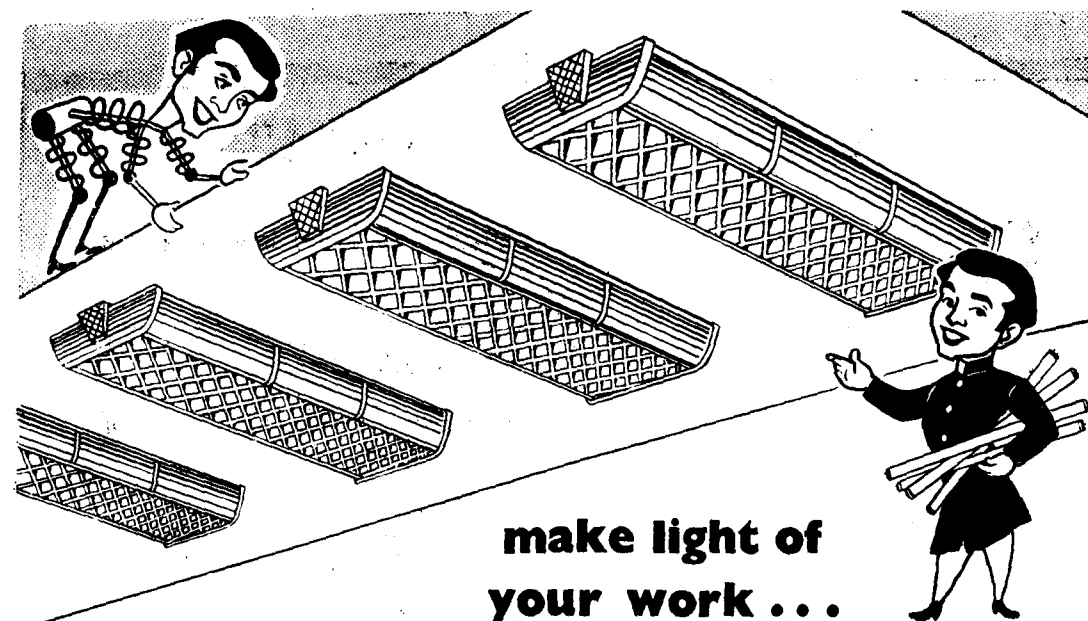
There are two ways of looking at the entire question of worker participation. One is the pragmatic one of furthering the immediate objective of higher productivity. The other is the idealistic one, namely, the ushering in of an utopia of industrial democracy, where the workers will have the ultimate responsibility for management. To the extent that this engenders false hopes that cannot be realised, it has no practical relevance. Leaving this aside, it is quite conceivable that joint councils may enable the workers to think in terms of the unit as a whole and diminish frictions in industrial relations by focussing attention on the central object of increasing production in the interests of the workers and the country alike. To the extent that success attends any step in this direction, it would enable them to further go ahead than their own grievances in respect of wages, conditions of work and so on.

But to create conditions of success in the joint machinery, there must be demarcation of

functions between the joint councils and the trade unions. By the same token, the success of the joint councils would seem to depend to a large extent on the vigorous functioning of the trade unions which in turn depends on workers' education on proper lines. But conditions in the country are far from propitious for the healthy growth of trade unionism what with the low literacy of the workers and the influence of party politics making the trade unions a happy hunting ground for interested outsiders. It would, therefore, appear that in proportion as trade unionism gathers strength and self-reliance, it would be in a position to take increasing responsibility in the field of participation in management.

Strange as it may seem, it has been given to two enterprises in the private sector to give a lead in this direction. The shining example of the Tatas, which as early as 1956 introduced a scheme of consultation giving an effective voice to workers in matters in which they were directly concerned without involving any abdication of the essential function of the management to manage, gives the lie direct to any criticism that the private sector is apathetic to any kind of experimentation to secure greater co-operation of the workers. The fundamental postulates, however, for the successful working of this experiment are large-sized units which can absorb its impact and voluntary consent of the parties. It would, therefore, appear that the most natural thing would be that the scheme should find greater scope in the public sector by reasons of the fact that its enterprises satisfy the conditions implicit in the working of joint consultation. Apart from this, public enterprises have one advantage over private enterprise since, being not answerable to shareholders, it can afford to be a pioneer and devise managerial authority that would secure the maximum amount of participation from workers.

In the face of this, one would find it difficult to understand some of the sentiments expressed by Mr. Gulzarilal Nanda at the Seminar. His plea that the new machinery should be able to achieve a kind of a quiet transformation of the private sector and resolve many of the contradictions facing the private and public sectors seems to have no particular validity to the entire issue of workers' participation. Having accepted mixed economy as the goal, what does 'transformation of the private sector' amount to? And what are the 'contradictions' that he wants to remove? If the public sector can prove by example that joint consultations can work without friction and for happy industrial relations, its merit can easily be commended to the private sector for emulation. It may, however, be too premature to jump to conclusions. All the same there is no reason why employers in the private sector should not show that, consistent with their obligations to the shareholders and the wider community of consumers, they would not hesitate to do anything that would bring about better industrial relations.



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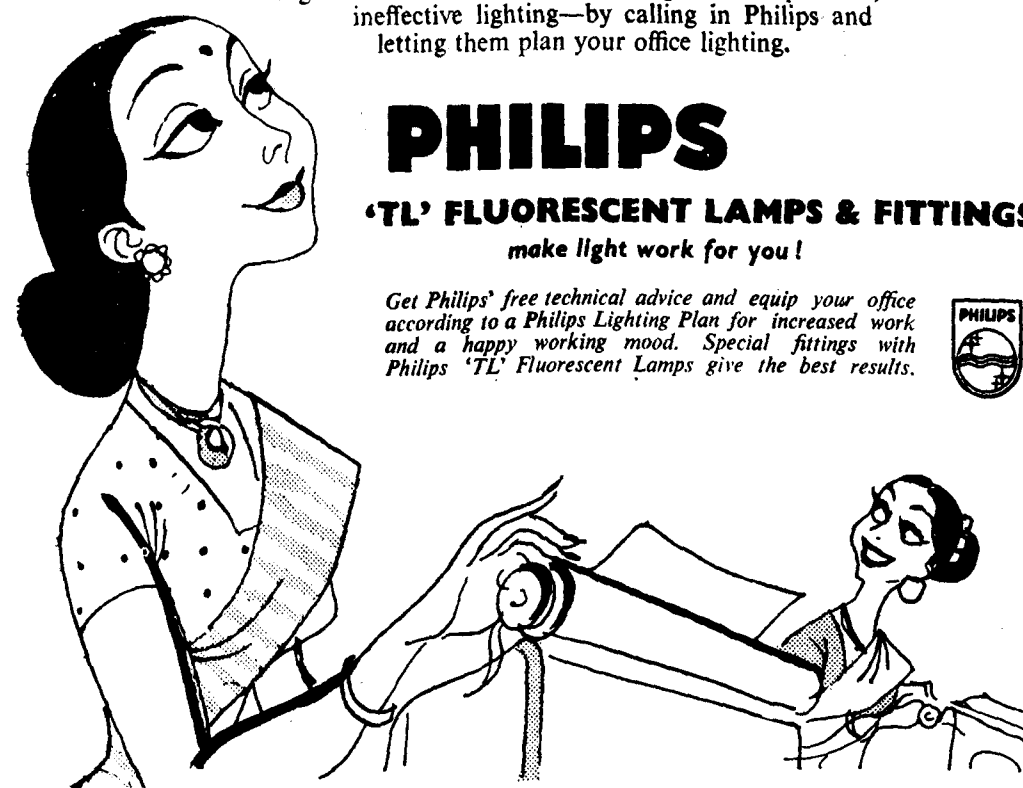
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THE WEEK'S NOTES

TOWARDS ARAB UNITY?

THE PROPOSAL for the formation of the United Arab State, consisting of Egypt and Syria, was announced by President Nasser and President Kuwatly on February 1. The proposal is subject to a referendum which will be held in the last week of this month. In view of their common history, common language, common political aspirations and common current aims, the proposal will be definitely carried out. According to the latest plan, the two States will be merged into a single State and have one army, one flag, one Government, a new constitution, and one national parliament. The new State, when founded, will have a presidential system of Government, an area of 1,185,000 square kilometers, and a population of over 26 million. It will have a large agricultural potential. In addition, it will practically control the flow of 90 per cent of Middle East oil to the Western world, since the Suez Canal and the pipelines carrying oil from Iraq and Saudi Arabia will pass through its territory. Besides the Suez Canal, the new State will have the big ports of Alexandria and Latakia.

The idea of Arab unity is not new. Beginning with the proposal for a common administration for the "fertile crescent", the idea was propagated by the Arab League to cover all Arabs from the Mediterranean to the Indian Ocean. The birth of Israel, the Anglo-French Suez mis-adventure in October 1956, and Syrian fears of Turkish military intervention last autumn have hastened the process. However, it has been suggested in many quarters that this merger is no more than a "marriage of convenience". The absence of geographical contiguity, different political systems, and Syria's excessive economic dependence on the Soviet Union and its Leftist orientation are felt to be inconsistent with the suppression of the Communist Party in Egypt and Cairo's avoidance of entanglement with the Soviet Union. It is also said that attempts to promote Arab unity have not always been successful. The record includes such outstanding instances of failure as the Arab League and the Arab Solidarity Pact. Yet the desire and force for Arab unity cannot be underestimated, nor its importance in Arab affairs ignored.

The prospect of a United Arab State, with all its allurements for the Arab world, is perhaps calculated to cut the ground from under the feet of other Arab governments. That the inference is not very unreasonable may be gauged from the concern with which the proposal has been received in Iraq, Jordan, the Lebanon and Saudi Arabia. A report from Baghdad has it that King Hussein of Jordan has asked the Kings of Iraq and Saudi Arabia to consider formation of a confederation of their three countries. The report is not implausible. Nearly half of Jordan's population consists of Arab refugees from Palestine who regard Arab unity as their only hope for annihilation of Israel and their return to their ancient homes. The position of the Lebanon is not very different from that of Jordan. This tiny State, also wedged between Syria and Egypt, is likely to be the most affected by the pull of Arab nationalism from the new State. A country, whose prosperity depends on the continuance of its free market and friendship with Western powers can only regard with misgivings the prospect of being absorbed in the new State with steep customs barriers to protect its nascent industries. As regards Iraq and Saudi Arabia they have always been apprehensive of President Nasser's growing prestige and power: he has shown little respect for monarchs. Thus, the formation of the new United Arab State, instead of uniting, may further divide the Arab world—but along republican and monarchical lines.

THE MANGLA DAM

WITHIN LESS than six months India has had to lodge a second protest with the Security Council of the United Nations against Pakistan's plan to construct a dam at Mangla in the so-called Azad Kashmir territory. Apparently unmindful of India's strong views on the subject, Pakistan has now entered into an agreement with two British and one American engineering firms for constructing the dam in question. The present protest has been necessitated by this agreement. Expected to be the biggest of its kind in Asia, the dam will impound 3.5 million acre-feet of water, and will be flanked by a power plant and a spill-way structure. The power house will have an installed capacity of 300,000 kilowatts. When the dam is completed, it will submerge 120 villages and uproot more than 100,000 people. According to first estimates, the scheme may take ten years to reach fruition. India has no reason to grudge any legitimate effort by Pakistan to raise the standard of living of its people. But surely this country cannot afford equanimity if Pakistan bases its plans on what amounts to theft of Indian territory. The duration of the work on the Mangla dam project carries implications to which India cannot be indifferent. She will not permit perpetuation of the partition of Kashmir.

India's protests follow her basic stand that the territory in the possession of Pakistan is part of Jammu and Kashmir, and consequently of India, and therefore Pakistan's action violates Indian sovereignty. It is also a gross violation of the Security Council's resolution of January 17, 1948, and of the assurance given by the United Nations Commission for India and Pakistan to Mr. Nehru on August 13, 1948. According to the assurance, the Commission's resolution did not imply any recognition of the so-called "Azad Kashmir" Government or enable Pakistan to consolidate the territory "in any way to the disadvantage of the State". Thus, while the Mangla Dam Project is incompatible with the Commission's promises, it also constitutes a "further violation" of India's sovereignty.

It is rather strange that the United Nations observers, whose function is to see that the conditions of the truce are not violated, did not draw the attention of the Security Council to this fact. Surely, they could not have been ignorant of what was happening under their nose.

Pakistan's belated reply that the project has been commenced after an agreement with the "Azad Kashmir" Government is a "damaging admission", to borrow a phrase from Mr. V. K. Krishna Menon. What right can "Azad Kashmir" have to enter into an international agreement of this nature? The Security Council can condone this latest trespass by Pakistan only if it wants its reputation besmirched with suspicion of partiality.

"BLOOMING" FLOWERS WITHER!

FIFTY-FOUR DEPUTIES of the National People's Congress of Communist China have incurred the wrath of the ruling party. Peking's drive to discredit and silence has claimed them. Of these, while 38 "rightist" deputies, including three ex-Ministers, have frankly been thrown out by the Credential Committee for "anti-Communist actions", 16 others have been recalled by their "electoral units". Besides, the Congress has also stripped ten deputies of their posts in the various congressional committees on similar charges of "rightist deviation".

The latest "anti-rightist" campaign will be intriguing to those who had uncritically accepted Mr. Mao Tse-tung's much-publicized doctrine of hundred flowers and had overlooked the inner logic of the order of the ruling Chinese Communist Party to the eight "democratic parties" to remodel themselves in its own image. Those who were acquainted with the Marxist semantics need, however, suffer from no such sensation. The monolithic nature of Communist China's regime has once again become clear. Commenting on Mr. Mao's doctrinal dissertation, it was emphatically pointed out in these columns that it was merely a ruse to beguile hitherto silent critics into exposing themselves. This contention has been amply borne out by subsequent events. In spite of the "liberalistic" content of his doctrine, the flowers were barely allowed to smile to the sun, as it were. In fact, as early as in July last when the non-Communist world was analyzing Mr. Mao's February speech, his "gardeners" were already busy rooting out the "poisonous weeds". This process has continued for the last nine months now and shows no abatement. After all, the struggle for power leading to its absolute concentration in the hands of one man and the clique around him is the normal process in a totalitarian regime. The present "anti-rightist" drive is one more instance of tightening the screw. But this is by no means the last one. Purges and liquidation in a Communist regime are as commonplace occurrences as brickbats in the life of a mason.

DR. SHENOY'S NOTE

IF THE report of the panel of economists has been unhelpful in making one wiser about the present state of the Plan and the prospects ahead, (as explained in a leading article of 'The Eastern Economist' of last week) Dr. B. R. Shenoy's supplementary note of dissent, in spite of its apparent gloss of realism, can only be termed equally pointless. Mr. Shenoy has resolutely stuck to his now familiar thesis about the impracticability of the size of the Plan since savings cannot match investment. He has also contended that over-investment leads to inflation and the only way to avert this is to restrict investment in the public as well as the private sectors. By his own showing, however, he concludes that there has been a slowing down of the money supply and prices, but this he attributes to the operation of a suction pump, namely, the balance of payments deficits. Since the surplus reserves have been rapidly depleted, he considers it imperative that the monetary taps should be closed and there should be no further deficit financing.

This is not only defeatism but a misreading of the current realities. For one thing, with the current accumulation of unsold stocks with many industries and more especially of cloth, it is hard to believe that there has been a general increase in the aggregate demand for consumer goods. Even assuming, as he contends, that there is an increasing consumer goods bias of domestic production, can it be shown conclusively that all the increase has gone in for consumption and nothing has been left for capital formation? With the prospects of foreign aid becoming considerably brighter, one would have thought that a bold attempt at deficit financing to step up the targets for the coming year, when prices show a downward trend, would be the proper approach. By harping on a savings gap of Rs. 1,700 - Rs. 2,000 crores, Mr. Shenoy makes much of the limitation of external assistance of even Rs. 700 crores. The implication is that since there is no prospect of mobilising domestic capital, only foreign aid of the extent of the savings gap can be of any avail. This is fallacious logic since it confuses domestic savings and foreign aid as substitutes. Obviously to some extent at any rate foreign exchange must bear some correlation to domestic capital in the execution of the

projects. And in a developing economy so long as investment is related to projects of a productive nature, deficit financing need not necessarily be held an incurable evil.

To be fair to Dr. Shenoy, in two respects he has made observations that are eminently sound. On the question of deferred payments agreements he has argued that there is no need to place undue obstacles for the private sector since, as foreign capital would add to output, the increase in output should be able to provide the wherewithal for repayment of interest and capital. This is thus in contrast to the advice of the Panel suggesting that there should not be any spreading out of effort in too many directions. Whatever might be the virtue of this advice so far as the public sector is concerned, there is no reason why restraint should be placed on others who can find the resources and if their schemes have been approved. Again, on the subject of food policy, Dr. Shenoy has boldly stood against any control of food grain prices as this would necessitate control of the prices of the conjuncturally related consumer and producer goods. His warning that "since food grains occupy a large sector of the national economy, we cannot get away with the mishaps that may attend control over the working of food economy", can be ignored only at peril.

STANDARD OF ENGLISH

MAULANA AZAD has just deplored the fall in the general standard of English in India and underlined the urgency for improving it in the interests of an adequate standard of education. The Education Minister does not appear to have spoken on the causes for this deterioration in the standard of English. The chief causes are probably two: the prospect of English ceasing to be the official language, after some time, for Union and inter-State purposes, and the increasing use of Hindi and the regional languages as media of instruction in secondary education. When everybody knows that English will be relegated to a secondary place in the future scheme of things, a general lack of interest in and enthusiasm for it is inevitable, and this has already come about.

Again, it is often forgotten that it was possible for the older generations in India to attain a higher standard of proficiency in English because instruction in almost all subjects—history, geography, natural sciences, mathematics, civics, etc.—was imparted through the medium of English. Especially where history, geography, civics, and so on were taught in English, it was possible for secondary students to acquire a better command of English than they could get from a study, purely, of English as the first language. With the virtual disappearance of this advantage enjoyed by older generations, it is only to be expected that the standard of knowledge of English will continue to fall. How the proposed National Institute of English studies—to be set up at Hyderabad with the assistance of the British Council and the Ford Foundation—will be able to arrest the deteriorating trend in the context of the Hindi policy (whether it be rigid or flexible), is anybody's guess. The Education Ministry cannot have the cake and eat it too; it cannot swear by Hindi and regional languages and still deplore the deteriorating standards of knowledge of English. If the importance of English is so well recognised by the Education Ministry, there is all the more reason why it should think in terms of examining the drawbacks of the present language policy and suggesting appropriate measures for modifying it. Second thoughts would appear to be called for not only to allay genuine apprehensions in the East and the South of India but to judge the adequacies or otherwise of Hindi more objectively in comparison with English.

A Window on the World

DEFLATION: THE WORLD THREAT

By
ODYSSEUS

ECONOMICS FELL into disrepute in the inter-war years when, before the ideas of Keynes had had a chance of percolating, let alone of being tried out, economists seemed to have no idea how to stop the rot of deflation or to reanimate the languishing international trade of the world. One result of this appalling failure was the growth of economic nationalism under the influence of politicians who knew nothing of economics. But, to take a parallel example, because medicine seems to have for the moment no answer to cancer, is that a reason for putting one's fate into the hands of quacks who guarantee a cure with powdered diamonds? The gold standard was said to have been demonstrated to be unworkable. Free trade was alleged to be all right for wealthy countries but to be a luxury that the less favoured could not afford. By the beginning of World War II bilateral trade pacts had established themselves widely as the natural consequence of ever growing restrictions on imports.

The colossal mobilisation of savings, expenditure of capital and simultaneous consumption of arms and food by millions of troops throughout the world seemed to prove Keynes' alleged views to the hilt. I say "alleged" views because the popular idea seems to be that Keynes taught that unemployment could be cured and full employment ensured by limitless credit expansion. He did not. He said that a recession caused by over saving and under investment could be initially reversed by credit expansion. He did not say that this would cure structural unemployment—that is, the permanent loss of livelihood by workers for whose skill there is no longer any demand, as when the stage coach industry was killed by the advent of railways in the UK in the 19th century. Nor did Keynes say that you could expand credit for ever without inflation or that inflation was harmless.

After a golden decade of post-World War II expansion in accordance with what was mistakenly interpreted as the Keynes doctrine, we have, since 1956, entered into a period of uncertainty in which we are simultaneously threatened by recession and by inflation, and by a return to the falling prices of primary products that characterised the inter-war years.

But one of the more encouraging signs of the times is, however, that economists are tackling these problems with energy and confidence. A generation which includes such outstanding figures as Roy Harrod, Lionel Robbins, Friedrich Lutz, Paul Samuelson, and Bertrand de Jouvenel, to name but five that come haphazard to mind, should not have to worry unduly.

BERTRAND DE JOUVENEL

Among the most original and most stimulating thinkers of our time is Bertrand de Jouvenel, and I propose to discuss a recent BBC Third Programme talk, entitled "Goodbye to Bretton Woods" (reproduced in "The Listener", November 7, 1957) in which M. de Jouvenel runs over, from a striking new angle, a good deal of the ground that we have just covered in our discussions of the problems of the sterling area in the weeks immediately preceding.

M. de Jouvenel observes that within an international economic system countries which experience a drain on their foreign exchange reserves have to

take corrective action. There are two causes of a drain, which may operate separately or together: first, internal inflation—an excess of domestic demand over domestic production which leads to a net intake of imports. This, in conditions of full employment, can only be eliminated by contracting demand so that the national economy lets out more goods and sucks fewer in. France is an example of this. Secondly, as in the UK, you may have a flight from the currency caused either by lack of foreign confidence in it or by the superior attraction of another currency, such as the mark. Cash balances withdrawn have to be attracted back. The means used to rectify these two situations are the same: credit contraction and dear money.

The contraction of deficit economies is easier to achieve if simultaneously expansion is taking place in surplus economies. This was automatic under the gold standard. As the deficit of one country drained its reserves, causing a dearth, the countries into which the credit was pouring expanded their purchasing power, causing abundance and cheap money. Thus, in any properly working international system, the tendency is towards equilibrium.

M. de Jouvenel points out that our present system has two faults. First, in the event of a continuing drain on the reserves of a country, there is no automatic credit contraction, operating as a progressive brake. A credit squeeze must, on the contrary, be inaugurated as a deliberate act of policy, which means that it is liable to come late and to be correspondingly more brutal than it need have been. Secondly, there is no automatic expansion in a surplus country whereby equilibrium is restored as that country begins to import more and more from the deficit country. Indeed, the surplus countries are at pains to prevent the inflow of gold from affecting their national economy. This was first done by the USA in the 1920's and has been repeated today on a spectacular scale in Germany. Such policies of sterilisation throw the onus of restoring equilibrium on the deficit country alone, instead of enabling the burden to be shared with surplus countries. It is natural that the flight from sterling into marks should put up the price of money in the UK, but it is unnatural that this should not bring the price of money down at once in Germany.

A deficit country has to squeeze more roughly if credit contraction was applied late, some time after the drain on the reserves began. But its task is harder still if there is no expansion abroad.

This is the nub of M. de Jouvenel's argument: this is what he finds so alarming today: while many countries, suffering a drain on their reserves must contract credit to get back into balance, the surplus countries—the U.S.A., Germany, Switzerland—are themselves squeezing to avoid what they fear as too rapid a rise in their internal prices: they seek to avoid "importing inflation". The deficit countries must therefore squeeze themselves on such a scale that they risk damage to their economies or social relations, even to dire political consequences.

How does all this affect primary producers like India? Many of them have development plans which depend on buying ever more foreign equipment, the prices of which have been rising. To pay for these

imports, the primary producers assumed that the prices of their exports—tin, jute, cocoa, etc.—would continue to enjoy a rising demand. But now, first, the US anti-inflation drive and next that in the UK have diminished demand for primary goods, of which, as I said here last week, the UK is the world's chief buyer. The fall in the price of these goods must start a drain on the foreign exchange reserves of primary exporters. This must cause cuts in development plans and could lead to political disasters. Naturally the exports of industrial countries are also hit as the incomes of their customers abroad fall.

HITLER IN THE 30's: KHRUSHCHEV IN THE 50's?

The chain reaction thus set in lead back to bilateral trade. When in the 30's Hitler offered bilateral treaties to primary producers who had ceased to be able to obtain satisfactory prices for their exports, they jumped at the offer and set up new links with Germany. Today, the USSR is at hand to organise bilateral deals and primary producers may turn progressively to them for relief.

M. de Jouvenel offers the shrewd suggestions that (1) the political position of the Anglo-Saxon group, and their friends in the free world, depends on the prosperity of multilateral trade and falls sharply when this contracts and (2) the success of multilateral trade depends on (a) an adequate volume of international means of payment and (b) the facility with which deficit balances can be remedied. These two conditions, (a) and (b), have until recently been fulfilled.

Thanks to the wisdom of President Truman and to the enlightened self-interest of the American people, US government loans and grants abroad were set year after year at levels high enough to offset the deflationary effect of the continuous surplus in the US balance of payments. The whole world is indebted

to this far-seeing policy for the magnificent growth of multilateral trade. Nothing like this happened after World War I. International trade in the inter-war years did not keep pace with the increase in production. In the golden decade 1946-56, on the other hand, the rest of the world added continuously to its holdings of gold and dollars, which grew from \$14,500 millions in 1946 to \$28,000 millions in 1956, keeping pace with the rest of the world's increase in imports.

Since 1956, however, the flow of dollars has been reversed into the USA or diverted into a mighty pile in Germany, to such an extent that all other OEEC countries now hold no more reserves than they had in 1950 when the dollar value of their imports was half what it is today. This dearth of reserves makes for an all round contraction of imports.

Secondly, in the golden decade, money was cheap in the USA. When the UK put up its interest rate in 1951, this was effective because at that time the price for the use of short term balances in the USA was low. That a high rate was paid in Germany did not matter because confidence in the mark had not yet been restored and a higher rate for what was judged a higher risk was natural. But when, as today, countries whose economies inspire full confidence—the USA, Germany, Switzerland—sharply raise the price of money, then the less well off countries must raise their's high indeed. The UK's fierce 7 per cent attracts balances, but to what extent do these all return from the USA, Germany, or Switzerland, to what extent do they come from the poorer countries of Europe and Asia?

So countries with deficit balances squeeze to attract foreign balances and countries with surpluses squeeze to prevent inflation. Is there a way out of this alarming vicious circle of world deflation? We will tackle this question next week.

PROSPECTS FOR THE FREE TRADE ZONE

(From Our Special West European Correspondent)

WHILE the Common Market struggles to its feet, the negotiations for the free trade zone which the British suggested should be grafted on to it are continuing laboriously at the Murette Chateau in Paris. These negotiations have by now become a trial of diplomatic ingenuity between the two chief protagonists, British determination and French obstruction. At this moment it appears certain that the British plan has absolutely no hope of being accepted, but the French have had to agree to put up some sort of counter-proposition which, however much it disappoints the British, will recognise the principle that the six-power Common Market needs to be supplemented by an arrangement with the other members of the OEEC. British insistence on their free trade zone has awakened violent opposition on the Continent and this has had an unexpected result: many organisations that had first opposed the Common Market and later accepted it without enthusiasm have rushed to its defence against the British proposals. Trade unions and employers' organisations that last year had hardly a good word to say for the Common Market are suddenly its passionate defenders. If it is true (as it may have been once but can scarcely be so any longer) that the British plan was a plot to torpedo the Common Market, it has had the very opposite effect.

The Inter-governmental Committee of the OEEC (Organisation for European Economic Co-operation), which is studying the plan for a free trade zone, has just finished its fourth session here, and will meet again on February 17-18. Mr. Maudling, the British Minister for Europe who had argued Britain's case at this meeting, said that he was confident that an agreement would be reached. This was really very brave of him for the one certain outcome of this last session was that the six powers of the Common Market unanimously condemned the British plan as too vague, unworkable and as constituting an invitation to adventure. Since the six powers feel that they already have quite enough adventure in store for them in the Common Market, they are in no mood to contemplate further experiments along the vague lines suggested from London.

The tussle has produced some bad blood between Paris and London, with accusations of ill-will being exchanged and with each side seeking to form alliances within the OEEC to further its cause. Britain has found support among the smaller nations, Switzerland, Austria and the Scandinavian countries; but France has succeeded in welding a fairly solid bloc out of the six nations of the Common Market, and it is likely that when the French counter-proposal is presented in March it will be signed by all six, as a common manifesto. Nothing is yet known of this counter-project but hints gathered here suggest it will be along the following lines: As is known, the main difference between the Common Market and the free trade zone is that the former will have a common external tariff for all imports by the six members of the Market, whereas the latter supposes that each member of the zone will retain its individual tariff system for imports from outside while permitting free movement of goods within the zone. The counter-project will probably suggest that the various national tariffs of the members of the zone be gradually brought into uniformity at a level equal to the common tariff of the members of the Common Market. It is quite unlikely that the British will agree to this because it entails the surrender (the gradual surrender, but surrender for all that) of the principle the British want to defend: their right to special tariff arrangements with the non-European world.

Whether it has any chance of securing British agreement or not, the French counter-proposal will serve as the basis for further discussion. This would be progress from the British point of view, because this month the negotiations were on the verge of simply breaking down. Further discussion will give London time to continue working on the West Germans to get them to break up the united front of the Common Market powers by overcoming French resistance. Presentation of a counter-project—any counter-project—will rescue the French Government from an embarrassing moral position because last October it recklessly voted in favour of the OEEC resolution recommending that a free trade zone be integrated with the Common Market, whereas since then it has solidly opposed all British suggestions for such a zone. The fact is that Paris acted lightly last October (there was no government at the time) and has since been subject to heavy pressure from all industrial organisations to resist the British scheme. (We have reported on this page several of these hostile declarations from French industry; since then the automobile manufacturers have added their firm and final veto to any alliance with the British plan.)

While the British and French Governments are thus at loggerheads, others try to make the peace. The Council of Europe met in Strasbourg this month and adopted a prudent resolution vaguely in favour of the free trade zone which was voted unanimously only because no French politicians took part. The European Movement is going to hold a conference in London on February 19-21 on the free trade zone which will be attended by trade union and employers' representatives from all the 17 countries of the OEEC—except the French employers who are so hostile to the whole idea that they have refused to attend. There will be a French delegation to London, led by M. Robert Schuman, but it will not support the British conception of a free trade zone, because M. Schuman has just declared, 'No one could expect France to add to the risks of the Common Market the risks of a free trade zone such as it has been imagined by the British'.

The grounds of Continental opposition to the free trade zone have been set out here several times before, but one can be more precise about them after the crystallisation of arguments that has occurred in the recent discussions. The typical "speaker's handbook" against the free trade zone has seven chapters:

1. The whole scheme is not to be taken seriously, being just another example of Albion's perfidy; the British do not want a free trade zone, they want simply to scuttle the Common Market. Of course, this is not an argument at all but rather an attempt to drown in abuse whatever merits the British scheme might have.

2. The free trade zone is technically unworkable because it would be impossible to have goods circulating freely inside the zone when each country had a different customs duty on imports from outside. The country with the lowest duties would become the channel for wholesale smuggling. (When people say this, everyone looks steadily at the nearest Swiss.) The British reply that a system of "certificates of origin" would be complicated but perfectly workable; Continental officials reply that you can indeed put a certificate of origin on a readily identifiable commodity like an American motor car but less easily on a ton of Japanese steel. To the impartial outsider the truth seems to be that the British suggestion would certainly involve a lot of complicated paperwork, just when the idea is to break down such administrative barriers in West

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Europe; but that on the other hand when officials make up their minds to work a complicated system, they usually succeed.

3. The free trade zone carries none of the guarantees and safeguards of the Common Market. This argument is overworked in France where it is thought that the Common Market treaty is full of safeguards all of which will be conscientiously exploited in France's sole favour; and where it is overlooked that by negotiation similar safeguards could be incorporated in the free trade zone scheme. But—and this is the major weakness of the British plan—the use of safeguards implies the existence of a supra-national authority that will decide when an escape clause is to be allowed to operate. Such supra-national authorities are set up under the Rome treaty, but the British (and even less the Swiss) will hear nothing of this for the free trade zone, as involving a loss of sovereignty.

4. Agriculture is excluded from the free trade zone, and thus France would be buying British industrial goods but would be unable to balance her trade because, for the sake of British farmers, no agricultural produce could move back across the Channel. This was a fatal flaw in the British plan but London seems more willing now to discuss compromises, and the 'London Economist' has sensibly suggested pilot agreements, on, e.g., French wines, Danish butter and Norwegian fish.

5. Britain will get the best of both worlds, gaining free access to the Continental market while retaining preferred access to the Commonwealth market, protected by imperial preference. This argument has great effect on the Continent where most people vastly overestimate imperial preferences. It is forgotten that Continental exports to the Commonwealth have increased twice as quickly as British exports to the Commonwealth since 1951. It is false to imagine (yet many Continentals do imagine this) that Lancashire can sell

its cloth anywhere in the Commonwealth on vastly freer terms than French mills. But the point is that if Continental industrialists make this mistake, American investors might too—and thus Britain would drain off the major part of American capital on the supposition that the produce of that capital could be freely sold both in the Commonwealth and on the Continent, and West Europe would thereby lose much of the private capital it hopes for.

6. France has nothing to gain from the free trade zone, so why should she bother with its evident risks. Here again the foundation of this attitude is the smug confidence that after months of negotiation, all the cards in the Common Market deal have been carefully stacked in France's favour. So of course there is unwillingness to take a hand in a deal where it looks as though the cards would be stacked in Britain's favour. To the outsider it seems that some of the players are over estimating their own cleverness, and that the Common Market might well turn out to work in such a way that its integration with a free trade zone would be beneficial, even for France.

7. Finally, and this is the argument that weighs with the politicians more than with the business people, the Common Market has a political interest, it is part of a great and influential myth that culminates in the vision of a United Europe, whereas the free trade zone is a typical piece of British empiricism and commercialism: it leads nowhere, moves no one emotionally or politically, has no supra-national aspect, produces no unity and in general, at the political level, has only the negative virtue so often emphasised by Messrs. Maudling and Selwyn Lloyd of "preventing the division of Europe". But this virtue, even though it has to be stated negatively, is a very considerable one and the negotiations of the coming months will show how sensible of it Continental politicians are.

WORLDGRAM

AGRICULTURE

Comprehensive Scheme for Soil and Land-Use Survey: The Government of India has approved an integrated, three-year scheme for an all-India soil and land-use survey. The aim is to formulate a national policy for all phases of soil survey and cartographic work, including standardisation of methods and procedures for improvement. Under the scheme, the central office for the survey has been set up at the Indian Agricultural Research Institute, New Delhi. Four regional centres will also be established at Delhi, Kharagpur, Nagpur and Bangalore. The Central Soil Conservation Board of the Union Ministry of Food and Agriculture will exercise general control on the implementation of the scheme. A major function of survey is to help scientists in predicting soil behaviour under defined land-use and management. It will thus be a scientific analysis of the soil in a plot of land, and the manner in which it can be exploited safely and economically. The survey will benefit farmers, conservationists, engineers and others engaged in grouping soil according to its capability. A sum of Rs. 65,09,000 has been sanctioned for the scheme for the remaining three years of the second Plan.

New Projects Across Ponnai: Two irrigation projects, which will together benefit over 27,000 acres in Salem, North and South Arcot districts of Madras State were commissioned in November last year. They are the Krishnagiri Reservoir and the Sathanur Reservoir across the 260-mile long Ponnai river, which traverses the three districts. The projects have been completed well in advance of the target period with considerable economy in cost.

Intensified Research on Cotton, Oilseeds and Millets: A five-year scheme for intensification of regional research on cotton, oilseeds and millets has been approved by the Indian Council of Agricultural Research. The object is to organise research on a cross-commodity basis and in a manner which will ensure maximum efficiency and economy. A standing organisation will also be set up for tackling agricultural problems on a regional basis. The inter-related problems will be studied by a band of scientists working as a team. The intention is to supplement the work of State Governments and raise research standards. Under the scheme, nine regional and eight sub-stations will be established in the country. A committee will also be set up in each region to formulate a comprehensive research programme for the entire area, and assign subjects of research to the stations there.

INDUSTRY

Rise in Industrial Output: The Soviet industry has substantially overfulfilled its quotas under the 1957 State plan, the Central Statistics Board announced. The report said the total volume of industrial production was 10 per cent above that of previous year, compared with the planned increase of 7.1 per cent. The output of means of production increased during the year by 11 per cent and consumer goods production was increased by eight per cent. All the Union Republics fulfilled their 1957 gross production scheduled ahead of time and most of them reached the quotas on principal items of production, the Board said according to 'Tass'. Oil production was 98 million tons, a 17 per cent increase over 1956, and there were 20,200 million cubic metres of natural gas—48 per cent up on 1956. Electricity production totalled 209,500 million k.w., a nine per cent increase, and coal output 463 million tons, a rise of eight per cent. The Board said 37 million tons of pig-iron (a four per cent increase) and 51 million tons of steel (five per cent) were pro-

duced during the year. Car and lorry output numbered 495,500 vehicles (a seven per cent rise) and tractors 204,000 (11 per cent). Other items and percentage increases were given as: Cotton fabrics 5,600 million metres (three); wool fabrics 282 million metres (five); and leather footwear 315 million pairs (10). The Board added that in 1957 Soviet foreign trade ran into some 33,000 million roubles as against 29,000 million roubles in 1956, an increase of 13 per cent. The report noted the successes made in the development of Soviet science, technology and culture, including the first artificial satellites and the world's first powerful inter-continental ballistic missile.

Standard for Resistance Spot Welding: An Indian standard code of practice for resistance spot welding for light assemblies in mild steel, IS: 819-1957 has been published by the Indian Standards Institution. The code of practice lays down the procedure for resistance welding of the single impulse spot and stitch type used in the fabrication of assemblies from the mild steel sheet, strip and plate. It also covers the procedure for the design of spot welds and prescribes suitable tests for ascertaining the quality of the weld. This code of practice is meant to serve as a guide to the industries using the resistance welding process in the fabrication of light mild steel assemblies. Since sheet and strip steel will now be available from indigenous production increased use of the resistance welding process would naturally follow. This code will, therefore, help to ensure that development of spot welding in India takes place along proper lines. In the standard equivalent values in the metric units have also been included in addition to those in the ft. lb. system. The standard is also related to the trade and technological practices being followed in this field both in India and abroad. Copies of the standard can be purchased from the Indian Standards Institution, Manak Bhavan, 9 Mathura Road, New Delhi-1 and also from its branch offices 40/40A Cawasji Patel Street, Bombay; P-11 Mission Row Extension, Calcutta and 23 Nungambakam High Road, Madras-6.

TRADE

Trade Agreement with Indonesia Extended: Letters have been exchanged in Djakarta between the Charge d'Affaires 'ad interim', Embassy of India, on behalf of the Government of India and the Secretary General of the Indonesian Ministry of Foreign Affairs, on behalf of the Government of the Republic of Indonesia, extending the validity of the Trade Agreement between the two countries till June 30, 1958. The principal commodities listed for exports from India to Indonesia under the Agreement are cotton textiles and yarn, jute goods, tobacco, linseed oil, hardware, pharmaceuticals and chemicals, tea-chests, shellac, sports goods, rubber tyres and tubes, porcelainware, paper and boards, machinery including agricultural implements, diesel engines, sugar cane crushers and textile machinery, electrical equipment including motors and batteries, sewing machines, hurricane lanterns and other household utensils. The major items listed for exports from Indonesia to India are copra and coconut oil, palm kernels and oil, essential oils, spices including betelnuts, timber, tin, rubber, hides and skins, canes and rattans, gums and resins, tanning materials, sisal fibre and tobacco wrappers.

Indo-Rumanian Trade Agreement Extended: Letters were exchanged recently at New Delhi between Shri D. Sandilya, Joint Secretary, Ministry of Commerce and Industry and Mr. D. Niculescu, Trade Representative and Commercial Counsellor of the Rumanian People's Republic in India, extending the validity of the Schedules attached to the Indo-Rumanian Trade

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INDIA AND CHINA - 1947-56

ANNUAL  NUMBER

1957

Editor: E. P. W. da Costa, M.A. (Oxon)

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Agreement, concluded on March 23, 1954, and modified by the letters exchanged on January 17, 1957, till June 30, 1958. The trade between the two countries, which was negligible before 1953-54, amounted to Rs. 41 lakhs in 1956-57. Rumania is in a position to export small sea going ships, locomotives, power transformers, oil prospecting and drilling equipment and cement and import cotton textiles, cotton yarn, cotton seed oil and hides and skins.

FINANCE

UK Investment in Commonwealth: Average investment, public and private, in the Commonwealth over the years 1953-56, added to the special assistance given to colonial territories, was nearly £200,000,000 a year. Set against the average of Britain's gross national product in that period, this represented some 1½ per cent. It represented between 7 and 8 per cent of gross fixed investment in Britain. Total capital expenditure sanctioned by the Colonial Development Corporation up to January this year was £87,000,000. Further schemes awaiting formal approval totalled £4,000,000. Actual advances outstanding from the Exchequer were £56,000,000.

Subsidised Industrial Housing Scheme Grants: Loans and subsidies totalling Rs. 3,04,312 were sanctioned by the Government of India during November, 1957, for the construction of 112 one-room and 25 double-room tenements under the Subsidised Industrial Housing Scheme. The Gwalior Rayon Silk Manufacturing (Weaving) Company Ltd., Birlagram, Nagda, (Western Railway), will be given Rs. 62,775 as loan and Rs. 41,850 as subsidy for putting up 62 one-room tenements at Nagda. The Coronation Litho Workers' Co-operative industrial Housing Society, Sivakasi, Madras, will get Rs. 82,500 as loan and Rs. 41,250 as subsidy for constructing 50 single-room tenements at Sivakasi. A loan of Rs. 50,625 and a subsidy of Rs. 25,312 has been sanctioned to the Shri Textile Workers' Co-operative Housing Society Ltd., Indore, Madhya Pradesh, for building 25 two-room tenements at Indore. The total amount of loans and subsidies sanctioned to various States and organisations up to November, 1957, for the construction of 89,762 tenements since the inception of the scheme in September, 1952, is Rs. 25,49,33,137.

\$11 Million Power Loan for Mexico: The world Bank has made a loan equivalent to \$11 million to the privately-owned Mexican Light and Power Company Limited (Mexlight) for the expansion of the Company's electric power system. Mexlight is extending its transmission and distribution systems and increasing its generating capacity by about 95,000 kilowatts, or about one-fifth. Seven private financial institutions are participating in the loan, without the World Bank's guarantee, for a total amount of \$1 million of the first six maturities which fall due between September 1959 and March 1962. The participants are Credit Suisse, Sofina of Belgium, Canadian Bank of Commerce, First National City Bank of New York, Chemical Corn Exchange Bank, National Bank of Washington and United States Trust Company of New York.

Subsidy for Housing of Scheduled Castes: Subsidy for housing for Scheduled Castes totalled about Rs. 82 lakh, Rs. 31.6 lakh sanctioned under the State Plan and Rs. 30.38 lakh under the Centrally sponsored programme. Statewise the sanctioned amount was: Andhra Pradesh Rs. 6.04 lakh; Assam Rs. 0.48 lakh; Bihar Rs. 4.00 lakh; Bombay Rs. 3.44 lakh; Madhya Pradesh Rs. 1.15 lakh; Madras Rs. 10.55 lakh; Orissa Rs. 2.58 lakh; Punjab Rs. 2.94 lakh; Uttar Pradesh Rs. 9.10 lakh; West Bengal Rs. 2.50 lakh; Mysore Rs.

12.33 lakh; Rajasthan Rs. 4.33 lakh; Kerala Rs. 0.83 lakh; Jammu and Kashmir Rs. 0.33 lakh; Delhi Rs. 1.00 lakh; Himachal Pradesh Rs. 0.20 lakh; Manipur Rs. 0.04 lakh and Tripura Rs. 0.15 lakh.

Excise Revenue: The revenue from excise duty on cotton cloth in the first six months of the current fiscal year amounted to nearly Rs. 32 crores, according to official figures. The estimate for the whole year is Rs. 72 crores. Cotton cloth is the single biggest source of excise revenue to the Government of India. Cotton cloth production in India in 1957 is estimated at 5,302 million yards, an all-time record.

GENERAL

Audio-Visual Equipment for Training in Co-operation: As part of the development of the co-operative movement, a comprehensive plan for the training of personnel is being implemented, the aim being to train 29,000 people in the management and promotion of co-operatives during the second Plan period. For this purpose, 13 centres for the training of senior staff and 45 schools for other personnel have been organised and are working under the supervision of a central committee for co-operative training jointly set up by the Reserve Bank of India and the Government of India. For the 13 training centres for senior staff, visual aids and equipment costing about Rs. 3.25 lakhs are being received from the Canadian Government under the Colombo Plan.

Northern Railway Schemes: The Railway Board has approved an estimate of Rs. 4 crores for the execution of various important works relating to new lines, doubling the existing lines and expanding the capacity of the workshops on the Northern Railway during the next financial year. Considerable importance is attached to the construction of a 99-mile rail link between Robertsganj and Garhwa Road in U.P. which will provide an alternative route for coal traffic from Bihar to Northern India. It will also open up the undeveloped areas of Mirzapur district which is rich in mineral resources and forest products.

Accidents in Mines: The fatality rate due to accidents in mines in the country during 1957 was the lowest ever recorded, according to provisional figures received from the Chief Inspector of Mines in India. Out of 6.3 lakh workers employed in all mines, 254 persons were killed due to accidents as against 335 in 1956. The annual average of deaths caused by accidents for the previous five years was 392. The fatality rate per thousand workers in 1957 worked out to 0.40, which was 25 per cent less than the 1955 figure of 0.53. The average figure for the previous five years was 0.67. In coal mines, which employ about 3.5 lakh persons, the reduction in the fatality rate was even greater. The number of persons killed as a result of accidents during 1957 was 179 as compared with 259 in 1956 and an annual average of 316 for the previous five years. The fatality rate per thousand persons employed in coal mines was 0.51 for 1957, which was 30 per cent lower than the 1956 figure of 0.73. The 1957 rate compared even more favourably with the average figure of 0.91 for the five years prior to 1956. During 1957, the number of persons injured in mine accidents was 3,515 as against 4,281 in 1956 and an average of 4,266 during the previous five years. The fatality plus injury rate declined from 7.33 in 1956 to 5.90 in 1957, recording a fall of 20 per cent. The average rate for the previous five years was 7.89. In the case of coal mines, there was a reduction of 12 per cent from 8.83 in 1956 to 7.81 in 1957. The figure for the previous five years was 9.01.

NEWS IN BRIEF

INDIAN

For raising fish production and improving marketing facilities in Mysore, the Government of India has sanctioned 12 fishery schemes under the grow more-food programme during 1957-58.

The Joint Chief Controller of Imports has announced that the ceiling fixed for the import of raw cotton under Public Law 665 had been reached and hence no further application would be entertained with immediate effect.

The Government of India have decided that the import of American cotton under P.L. 480 which was suspended on November 30 last would be permitted to be resumed with immediate effect for the "balance quantity."

For execution of the various facets of the Family Planning Programme, the sum allocated for the second Plan is Rs. 497 lakhs. Rupees 400 lakhs of it is intended for schemes by the Centre, and Rs. 97 lakhs for schemes in State Governments' plans.

The Indian Standards Institution has circulated for eliciting comments, three draft standards for centrifugally cast (spun) iron pipes, cast iron fittings and vertically cast iron pipes for pressure main lines.

An All India Cattle and Poultry show will be held in Delhi from March 10 to 17. Cattle breeders from all over the country will also meet simultaneously to review the progress of animal husbandary programmes in the country.

The Kerala Private Forests (Assumption of Management) Bill 1957, which empowers the Kerala State Government to take over the management of private forests for a limited period has been assented to by the President.

At the end of December 1957, 16,169 persons were undergoing training in various vocational and technical trades under the Craftsmen and the Displaced Persons Training Schemes.

Under a development scheme now being implemented by the Khadi and Village Industries Commission about 100 new cottage match factories are expected to be set up by the end of the current financial year.

The arrangement between the five Land Grant Colleges in the U.S.A. and Indian institutions engaged in agricultural education and research has been extended up to March 1960.

The total tonnage which passed through Madras port during 1956-57 was 2,665,828 as against 2,461,611 during the previous year. The trade as a whole was appreciably more than that of the previous year.

India is sending a 21 member anti-locust mission to Saudi Arabia for locust survey and control operations in that country.

FOREIGN

The Sterling Area's gold and dollar reserves increased again last month. They rose by \$131,000,000 said the Treasury in London on February 4, and at the end of the month (on January 31), stood at \$2,404 million.

The Export-Import Bank (U.S.A.) authorized 88 credits in 24 countries totalling \$468.4 million (about £167,286,000) during the second half of 1957.

Dutch bank loans to industry and trade in November continued their downward trend. At the end of November they totalled Fls. 3,134 million again Fls. 3,198 million at end - October and Fls. 3,224 million at end - September.

German net foreign exchange reserves rose to DM22,682 million in the week ended January 15. Foreign exchange reserves decreased by DM178 million to 23,670 million, while currency liabilities decreased by DM279 million to DM988 million leaving a net increase of DM101 million.

The "foreign aid package" for France that now is being put together by the free world will total at least \$500 million and could rise to more than \$625 million.

The World Bank has approved a loan of \$13.4 million for electric power development in the State of Sao Paulo in Brazil. The loan will help to finance an 85,000-kilowatt power project being built at Jurumirim on the Paranapanema River, and associated transmission lines.

Gold and sterling balances held abroad by the Australian Central Bank fell LA 1,606,439 in the week to January 5. This follows a drop of LA 3,027,357 in the previous week. The total now stands at LA 470,009,317.

France intends to liberalise "as quickly as possible" 60 per cent of her trade within the O.E.E.C.

Mr. A. E. Abrahamson, Southern Rhodesian Treasury Minister, has announced the establishment of a revolving fund as a forerunner of an industrial development corporation for Rhodesia.

France has made a formal request to the International Monetary Fund for permission to draw \$131,250,000 (£46,875,000).

The Export-Import Bank has agreed to grant Austria a \$28.1 million loan for investment in the National Oesterreichische Alpine Montangesellschaft.

A record £3,330 million Budget and a number of tax reforms which will free 3 million Germans from income-tax have been agreed by the West German Government. Actual expenditure in the current fiscal year will total £3,180 million.

Special Article

INDO-JAPANESE ECONOMIC CO-OPERATION

ON Tuesday this week, Japan and India opened a new chapter in their post-war economic relations. The negotiations which were going on for some time in Tokyo between the representatives of the governments of the two countries for a line of credit to be provided by Japan to India were formally concluded on that day. The conclusion of the loan agreement was accompanied by the signing of an agreement for trade, for an initial period of two years, which, however, is certain to be extended beyond that period.

Japan has agreed to provide a total credit of 18 billion yen equivalent to approximately Rs. 24 crores during the remaining three years of India's second Five-Year Plan. The current calendar year has brought with it a heartening succession of announcements of assistance from friendly countries to India. The American loan of \$225 million and the subsequent additional aid from that country, the French credit of 25 billion francs (about Rs. 28 crores) and the latest extension of yen credit augur well for the third year of the present Plan. Prior to that, credit accommodation was already announced by West Germany. The outlook for foreign exchange has brightened up for the coming financial year and it is to be assumed that American credits on this year's or probably a larger scale, together with loans from the World Bank for individual projects as well as credits from other countries, will suffice to put the core of the Plan through.

The Japanese credit of 18 billion yen is in some respects similar to the much larger American credit announced at the end of the last month. One striking point of similarity between the two credits consists in the fact that they are to be made available in part to finance development projects in the private sector. Last Tuesday's announcement from Tokyo specifically says that the yen credit which will be made available through the agency of the Export-Import Bank of Japan will be supplied to Indian importers approved by the Government of India, obviously meaning private importers. It is not clear at this stage how much of the share of this credit will be offered to the private sector.

Already India has been importing locomotives, plant and equipment for a variety of industries from Japan. The loan agreement outlines the type of exports which the Export-Import Bank of Japan will finance. They include, besides railway rolling stock, equipment for hydro and thermal power generation and transmission, equipment for dam construction, machinery and equipment for coal mining and processing as well as for ore mining and processing, ships, equipment for ports, machinery for the requirements of rayon, fertiliser, caustic soda, pulp and similar plants, machine tools and such other types as may be agreed upon from time to time.

The whole loan is to be repaid within a period of 10 years. A firm rate of interest has not been fixed, nevertheless, it has been decided that it would be akin to the interest rate normally charged by the World Bank. It may be mentioned in parenthesis that the World Bank's interest rate includes an element of special commission of 1 per cent to cover contingencies like bad debts. In the case of the Japanese loan, no question of bad debts arises for the simple reason that the Government of India will guarantee all repayments and furthermore the size of this loan repayable within 10 years is quite modest. Since a specific rate of interest has not been laid down it is advisable that

that the element of extra charge contained in the World Bank's interest rate should be excluded in applying the World Bank norm.

Trade between India and Japan has been increasing steadily in the past four years. But India's imports from Japan are rising at a much faster rate than her exports to Japan with the result that the trade deficit is widening. In 1954 India ran a deficit of Rs. 2.4 crores. But in 1955 imports went up sharply with a relatively much smaller increase in exports, disclosing a far larger deficit of Rs. 9.9 crores. The two-way traffic continued to rise in 1956 and although the disparity in the growth of India's imports and exports was not as wide as in the previous year, the deficit was of the order of Rs. 7.1 crores. Figures for the first eight months of 1957 confirm the rising tempo of trade both ways. A striking feature of trade last year was the steep rise in the export of iron ore. The trade deficit during January-August 1957 was reduced to Rs. 80 lakhs which gives an annual rate of Rs. 1.2 crores. It cannot, however, be ignored that stricter screening even of imports of machinery and equipment, coupled with insistence on deferred payments facility, has served to keep the level of imports in 1957 low. Even within the framework of an austere import policy, India will need to import a larger volume of developmental equipment permissible under the licensing regulations. Our normal exports and available foreign exchange will not suffice to procure these imports. The hurdle can be crossed with the help of the 18 billion yen credit.

The trade agreement which was concluded between the two countries on Tuesday last assumes particular importance from India's view-point. Apart from the conventional provisions regarding extension of the most-favoured-nation-clause to the parties, this agreement contains some important conditions. Article 4 lays down that the two countries will endeavour to promote inter-change and use of scientific and technical knowledge for economic projects. In clear terms, it indicates the readiness of Japan to place its specialised technical skills at the disposal of India. Article 5 is interesting since it contains a novel provision. It stipulates that in case any of the two countries sets up or maintains a State enterprise or grants any other enterprise or agency exclusive or special rights for import or export trade, they should not be exercised in a manner which will nullify the benefits under the agreement or subtract from them in a substantial degree. It is couched in vague terms, but it seems to be a safeguard against possible discrimination.

It is of the utmost importance in India's interest, that this new chapter in the post-war trade relations between the two countries should be carried to fruition with a determination to intensify her exports. Schedule B attached to the agreement discloses that raw cotton and cotton waste, hides and skins, industrial raw materials, salt, but more important than these, minerals such as iron ore, manganese ore, mica and coal will figure as India's staple exports. Their quantities ought to be stepped up. Japan's requirements of iron ore in particular provide a potential opportunity for India to intensify her exports. Already negotiations are under way between the two countries to arrive at a long-term trade arrangement in iron ore from India on the basis of a price formula which will eliminate sharp fluctuations. Even if such special arrangements will not be available for other exports, the larger flow of trade in pursuance of this agreement ought to be utilised to stabilise our exports on a progressive scale.

The Business World

FACT AND FANCY

By
CROESUS

IT is only appropriate that the Prime Minister should have inaugurated the Golden Jubilee celebrations of the Indian Merchants' Chamber, Bombay, on Monday this week. The occasion was so important and the prevailing circumstances so peculiar that Mr. Nehru himself did not want to miss the opportunity both to compliment the Chamber, and to explain to the commercial community, at some length, the reasons for, and the justification of his Government's official policy 'vis-à-vis' the business community. And, in the latter context, he asked Mr. Naval H. Tata, President of the Indian Merchants' Chamber, who had suggested, in the course of his welcome address, that "our attempts to put forward our points of view should not be misunderstood", not to misunderstand, in their turn, the reply of the Government also.

After this brief introduction and a little "irrelevant digression" he chose to indulge in, Mr. Nehru picked up a most appropriate biblical text, "whoever hath, to him shall be given and he shall have more abundance, but whoever hath not, from him shall be taken away even that he hath", to drive home the point about the rich becoming richer and the poor poorer not only among individuals but among nations as well. Even after all that had been done to bridge the gulf, he said, the gulf remained either as it was or was narrowing only unimpressively slowly. And his explanation for this state of affairs was that, whereas the more advanced countries could advance by leaps and bounds, the less developed or underdeveloped countries could either make no headway or advance only at snail's pace, so that the gulf between the advanced and the underdeveloped countries tended to persist indefinitely. Mr. Nehru drew freely on his familiarity with the latest aviation and atomic developments in order both to portray this vividly and to press home the urgent need for a radically reorientated approach. Thus, he said: "we go by aeroplanes; well, our minds have not come to the aeroplane age, much less the Sputnik age. It is essential, therefore, that the country has to get out of the morass and reach the 'take off' stage, so that there can be sustained growth. The barrier must be crossed and the stage reached when growth becomes relatively spontaneous in the country".

Up to this point, it was common ground to all, the Prime Minister and everyone else present, in particular the business community. But, when he turned to the old argument of our people sometimes about government interference and the role of private enterprise, it appeared that Mr. Nehru ceased to be quite logical. For, while he argued that capitalism today could no longer be the 'Das capital' of Karl Marx's days and even conceded that capitalism in the US today was not the capitalism of the robber baron days of the 19th century, he did not seem to concede that capitalism in India had also changed. Otherwise, one fails to appreciate the relevance of his observation: "Private enterprise is a good thing but private enterprise, as it was known in the 19th century, is dead as Dodo or ought to be. Let us be clear about it".

One thought this was clear enough from Mr. Naval Tata's assertion affirming the identity of the interest of the business community with the larger objective of national interest, namely, that "the Chamber is

inspired by the common objectives of securing the economic and social progress of our country". Not content with this, Mr. Tata went out of his way to remind the business community of its obligation to the people in the prevailing circumstances. Said he: "In order to justify our existence as a dynamic and useful section of Society, we shall have to adhere to a code of conduct and standards of business morality which will give us immunity from the propaganda against us and making us a target of class hatred because of our legitimate belief in profit motive. A proper assessment of our position in the organisation of society and readiness to adjust ourselves to the needs and requirements of a changing pattern of society are needed to claim for ourselves a lasting place as a contributory factor in the development of the national economy, enjoying the respect and goodwill of all sections of the community". Could it be that, because this was said, the Prime Minister probably felt that the capitalists in India are still preparing to change and have not quite changed yet?

Mr. Nehru also referred to the problem of accumulation of wealth by certain sections of the population and said this could not be allowed to go on at the expense of others. It was for this reason that the last budget contained the tax proposals it did, he said. The proposals, according to him, marked a new approach, and the Prime Minister fully identified himself with these proposals, the theme of which he described as being 'completely correct'. And he went further—and this is not without some significance today. He publicly acknowledged the services of the Union Finance Minister in this behalf and paid him a glowing tribute. "Those horrible places"—the Stock Markets have naturally interpreted this 'bearishly' and, instead of expecting reliefs, are now praying that the coming budget might not contain further fresh burdens! Stock market operators may be pardoned if they happen to entertain such a notion, considering the emphatic assertion of the Prime Minister: "We want to be over-ambitious each time and that is the mentality we want to produce and not the mentality of creeping slowly".

The other day, addressing the students of the Sydenham College of Commerce and Economics, Dr. V. K. R. V. Rao also spoke in a similar strain. Being ambitious or overambitious is neither an offence nor a virtue, so long as it is realistic or, to be more precise, related to facts. It ceases to be good only when ambition is divorced from reality and degenerates into dreams of the sheikh in the fable. It is more or less with the imaginary resources of the sheikh that our planners seem to be building up the Five-Year Plan castles. The pity is that this obvious fact is not recognised—it is difficult to say whether wantonly or not—and those that are able to do so and draw attention to it are ridiculed. Again, in the matter of raising resources, no one disagrees with Dr. Rao that, in a poor country like ours, everyone, including the poorest, has to tighten his belt if the targets of the Plan have to be achieved. At this point, one must pause to distinguish between the targets and the Plan itself, for to me and to persons of my line of thinking, it is not the targets that are over-ambitious—they are, in fact, not sufficiently ambitious—but it is the Plan that is over-ambitious, because, when we talk of the Plan, we asso-

ciate it with resources and not talk of it in absolute terms as we do, and can afford to do, when speaking of targets.

Be that as it may, Dr. Rao also suggested, on the same occasion, two ways of finding resources for the Plan: first, by adopting a self-denying ordinance by cutting down imports and consumption, and, secondly, by increasing exports. Dr. Rao went so far as to suggest that, if need be, we must all do without purchasing cloth for two or three years, so that the entire mill production of India could be exported. No patriotic Indian would grudge even this supreme sacrifice, provided he was sure the whole output could be exported, whether by the established trade channels or by the State Trading Corporation, after the Government took over the entire output from the mills, as suggested by the Vice-Chancellor of the Delhi University. But can anyone, not excluding Dr. Rao, vouch for this? After all, export of any commodity, let alone cloth, implies the existence of a customer or customers or market abroad for the total exportable quantity of that commodity from any country. I doubt if, in the prevailing sellers' market, and with so much of keen competition from countries like Japan, West Germany, and the UK, India can export even a quarter of her total mill production of cotton textiles, let alone the whole output of even one year. Proposals such as this are like the professions of the proverbial bachelor who thought that his marriage had been settled 50 per cent, the moment he had decided to marry, although there was no bride—and because of that—no acceptance from her. We are asked to plan on the basis of earnings from such hypothetical sources and yet we are ordained not to describe the second Five-Year Plan as overambitious. This, to say the least, is the tragi-comedy of planning in our country.

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BUSINESS NOTES

FINANCE FOR THE CEMENT INDUSTRY

IT IS high time that positive measures were undertaken to ensure that the cement industry would be enabled to raise the finance necessary for the execution of its heavy programme of expansion in the second Five-Year Plan. It is precisely on this issue that Mr. Dharmsey M. Khatau focussed attention in his presidential address at the last annual general meeting of the Associated Cement Companies. ACC's experience in this behalf is undoubtedly typical of the experience of the Indian cement industry. In spite of increased production of 2.5 lakh tons in the last accounting year, there was a slump in ACC's profit for which the management is in no way responsible. Higher cost of coal, higher railway freight rates and terminal charges, inflated price of stores and spares, a higher wage-bill, a higher charge for depreciation and the heavy additional burden of taxation from last May's budget proposals have all conspired to push up the cost of the industry to new peaks. Since these factors are beyond the industry's control, a firm and early decision must be taken to provide it with the necessary financial resources.

Mr. Khatau has explained in his speech that the last year's issue of shares, avenues open from internal resources and borrowings have left only one course for ACC to raise additional finance. This is the issue of debentures. The Board of Directors have decided on a further issue of debentures of a total value of Rs. 5 crores, subject, of course, to the sanction of the Controller of Capital issues. In spite of the debenture loan the need for additional funds will persist. It must be remembered that an ever-increasing volume of output will entail an increasing burden of working capital. The industry's internal resources, therefore, must be invigorated on a continuous basis. This is possible only by an increase in the price of cement which the producer gets. The question of revision of fair price for cement is at present pending before the Tariff Commission. The industry has pleaded that in fixing a higher fair price the Commission should make appropriate provision for a special "expansion allowance" in addition to the "rehabilitation allowance". Unless the capacity of the industry to earn enough to plough back for reconstruction, modernisation and expansion is built up, it will not be possible for it to respond to the obligations of an accelerated programme of expansion. Mr. Khatau has advanced a well-reasoned argument that the increase in the fair price for cement need not cause any increase in the current price which the consumer pays. The current consumer price which the State Trading Corporation is charging for cement as the sole distributor of the commodity is fixed at Rs. 117.50 per ton f.o.r. destination. This price contains an element of a net profit to the Corporation of Rs. 12.50 per ton which is hardly warranted on any rational test. Since imports will not be required, except in small quantities if at all, and the impressive profits actually collected by the Corporation are more than enough to cover losses on outstanding imports, the current price of cement charged to the consumer will easily accommodate the industry's needs of a higher price.

FIRST INDICATIONS OF BANK PROFITS — 1957

FROM THE disposition of the assets of the scheduled banks in the year 1957, one got the impression that, generally speaking, bank profits for that year could hardly be maintained. For, owing to a variety of reasons, the most important of which was the selective credit policy imposed on the banks by the Reserve

Bank of India, the banks found themselves blessed with a comfortable cash position, but they did not have full and free scope for employing these funds to their maximum advantage. Coupled with this restriction on turnover was also the higher interest bill that the banks had to bear on account of their liabilities (deposits), thanks to the increase in the Bank Rate, not to speak of the increased establishment charges. True, the lending rate of the banks also rose, but, as already pointed out, the full benefit of a higher (lending) interest rate was denied to the banks, by reason of the Reserve Bank's credit policy dictated by the prevailing economic (inflationary) conditions. This is clearly evident from the following table indicating the distribution of assets and liabilities of the scheduled banks at the end of the year 1957, as compared to the position at the end of 1956:

	Deposits	Advances	Investments
1957	1,405.6	712.0 (50.6)	432.9 (30.8)
1956	1,112.6	622.9 (56)	364.4 (33)

Note: Figures in brackets indicate percentage to total liabilities.

Absolutely, the figures for 1957 show no doubt an improvement over those for 1956, but, percentage-wise, it would be seen, both advances and investments are lower, and it is this aspect of the matter that really made one presume that bank profits in 1957 would be hardly maintained at the previous year's level, if not actually suffer a slight deterioration therein.

Against this background, the profit figures for the year 1957 (subject to audit) released by about a dozen banks, including the big five, are admittedly a pleasant surprise. But the figures also clearly establish that the rate of increase in profit in 1957 has been lower than what was registered in 1956. This probably explains why, despite the slightly higher profits, two banks (from among those whose preliminary results of working were announced only a few days back), namely, the United Commercial Bank and the Punjab National Bank, could think of stepping up their dividends, but, even in their case, this has meant slightly lower allocations to reserves than in the previous year, thanks to the sharp increase in the appropriations for tax. Indeed, nearly every bank (with the possible exception of the Central Bank of India) has had to step up its provision for taxes. In some cases, the maintenance or increase of dividend has also meant a reduced figure of carry forward to the current year (1958) 'vis-a-vis' that brought in.

These observations, it must, however, be added, are only by way of first reactions to the brief results of working for the year 1957 announced by the banks in the past few days. One must, of course, await fuller details, as also the results of working of all the scheduled banks, before arriving at more definite or categorical conclusions. Nevertheless, what has been noted is a dependable enough indication of the broad trend of bank profits in 1957.

EXPANSION OF CHEMICAL INDUSTRIES

IN HIS presidential address at the seventeenth annual general meeting of the Indian Chemical Manufacturers'

Association held at Calcutta on Tuesday this week, Mr. Charat Ram dealt at some length with two problems of major importance to the development of the chemical industry—capital investment and foreign exchange. The capital requirements of the chemical industry are of a tall order and envisage a steep increase from Rs. 26 crores in the first Five-Year Plan to Rs. 132 crores in the second Plan. The estimate of requirements for the second Plan is tentative because capital costs are going up at about an average annual rate of 8 to 9 per cent. Mr. Charat Ram has stressed the difficulties in raising new capital for the chemical industries in the share market. The industry will have to resort increasingly to loan capital and internal capital. The limits to internal capital are set by the present size of the industry's capital structure relatively to the requirements in the second Plan. Loan capital emerges as a valuable source. Whatever the source of capital, he urges that the cost and profit structure of the industry must be made flexible enough to provide for the various capital charges—depreciation, rehabilitation reserve, interest on loans, repayment of loans, dividends and a fair net return on investment. He argues for a full allowance for these factors in the determination of fair prices for the products of the chemical industries. In particular, the comparisons he has made with other capital-intensive industries—steel, cement and coal—lend weight to his plea.

The central problem of foreign exchange for chemical expansion hardly admits any short-cut solutions. It will have to be tackled largely with reference to priorities in the allocation of foreign exchange that will be made from time to time. The inaugural address of Mr. Manubhai Shah, Union Minister for Industries, gave enough indication that the Government was fully aware of the need to provide foreign exchange for this industry. But Mr. Charat Ram emphasizes certain measures either to reduce imports or to increase exports. A seven-fold increase in the output of super-phosphate from the current level of over 1 lakh tons to over 7 lakh tons will require deliberate steps to make its achievement practicable. A sustained effort to stimulate consumption is absolutely essential for it. This needs to be pursued to reduce imports of nitrogen. The Government is seized of the overall problem and is currently engaged in finalising a dynamic policy for fertilisers as well as a programme for production. There exists a market in the neighbouring countries as well as in the distant countries of the West for several of our chemical products which have been listed by the chairman in his speech. He points out that the target for the current year has been placed at Rs. 5 crores and it must be raised from year to year. He pleads for some measure of austerity in home consumption to make larger surpluses available for exports. This plea is supported also by responsible opinion at the official level. The sulphur requirements of the chemical industry are increasing at a spectacular rate. The chairman urged that a determined drive must be made to manufacture sulphur domestically from raw materials like pyrites. This project too is to be actively taken up in the immediate future as Mr. Shah explained in his address.

UN TECHNICAL AID TO INDIA

INDIA IS not only in need of foreign capital but also of trained personnel to run her industrial projects. This the UN Technical Assistance Programme is expected to provide on an increasing scale when a special project fund starts functioning in January, 1959. Although the size of the special fund and the details of the programmes to be financed in various countries are still to be worked out, it would be nearly \$160 million a year to start with. According to Mr. David Owen, executive Chairman of the UN Technical Assistance Board, "The fund would be a half-way house

between S.U.N.F.E.D. and the present technical assistance programme, its objective being to prepare the way for capital development in the economically less developed countries of the world". The present technical assistance programme would, of course, be continued side by side with its and there would be administrative correlation between the administration of the programmes under both the funds. The type of projects likely to receive aid were the survey of natural resources and energy, technological training, establishment of productivity centres and training in public administration with a view to increasing the availability of trained managers and administrators. The heartening feature of the programme is that the work done through the plan would be supplemented.

As for the size of the assistance which India would be getting in the year 1958 by way of technical assistance programme, it would be to the tune of 183 experts in the field of agriculture, industry, health, social welfare, etc. Besides this 410 technical fellowships would be given to Indians to go abroad and study in various spheres. The actual expenditure would be about 2 million dollars i.e. 0.4 million dollars less as compared to the last year. The cut in the aid, although it may not be comforting when India is beset with difficulties on all the fronts, could, however, be explained that technical assistance to new applicants like, Ghana, Tunisia, Morocco and Malaya has also to be provided to build their economies. The allocation need not necessarily be viewed in money terms, which, of course, would be less this year, but in the light of personnel that would be provided and is sought to be trained in various fields, larger assistance would be available. The allocation for 1958 for the entire Asian region is only \$10 million.

MAXIMISING MAN AND MACHINE POTENTIAL

THE RECENT agreement between the Textile Labour Association and the Ahmedabad Millowners' Association regarding working conditions in Ahmedabad mills as part of a joint endeavour to increase textile production is to be welcomed, inasmuch as it claims to, or rather aims at "suggesting means of maximising the utilisation of man and machine potential. The scheme would include, among others, a proposal to improve hygienic working conditions, replace outmoded equipment, encourage the use of better raw materials and, above all, implement a training scheme aided by experts to teach workers better handling of machines. To put it briefly, as Mr. Vasavada, Secretary of the Textile Labour Association, remarked, the scheme would increase productivity. This change in attitude of labour and labour leaders towards the use of better equipment and the need for stepping production is in refreshing contrast to its earlier attitude and is, therefore, highly praiseworthy. Both the Ninth Annual session of the I.N.T.U.C. and the Tripartite Conferences in New Delhi, it may be remembered, also stressed the need to increase productivity in all spheres of national economy.

According to Mr. Vasavada, to begin with, the new scheme would be experimented upon in seven mills in Ahmedabad shortly. Significantly enough, he said, the experiment would be introduced in 'uneconomic mills'. This experiment in Ahmedabad—one of our important industrial cities producing about a fourth of the country's total cloth output—to promote productivity is bound to be watched with considerable interest. Maybe, Ahmedabad, which, under the inspiring guidance of Mahatmaji, led the country in building up a unique system of peaceful employer-employee relations once before, will again blaze the trail for the rest of the country in the matter of increasing productivity without exacerbating labour hostility.

FACTS BEHIND FIGURES

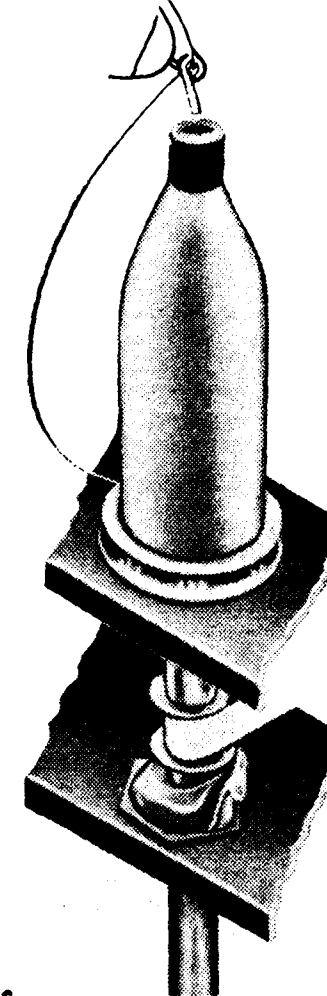
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6. While on the subject of production, I should refer to the Industries Licencing Policy of the Government. Instances have been brought to us, where applications for such items as chloroform, chloral-hydrate, aspirin, sodium salicylate, methyl salicylate, P.A.S., DDS, and gamapicoline have been disallowed on the ground that similar projects were under consideration for the public sector. Sir, we presume that the Government are interested now in putting their resources and energies into only those projects where initiative or finance is not forthcoming from the private sector. We place the case for the sanction of these small projects for your consideration.

7. Supplies of the products of the Chemical and Pharmaceutical Industry to the D.G.S. & D. form no mean part of the industry's production. We should not hesitate to place before you that in spite of best efforts on all sides, dealing with the D.G.S. & D. continues to be on the whole a frustrating business, whether it is in the matter of testing of samples, or getting the goods approved, or receiving first and final payments. So long as this Department will not change its basic approach and place its transactions on a normal commercial basis, and not deal with suppliers from a position of strength, no improvement could really be expected. It is easier to make supplies to scores of other parties, including the Government controlled industrial Companies, as they deal in a commercial manner, but not so with the D.G.S. & D. with whom time and money of the supplier are of no value. We have to suggest that purchases by the D.G.S. & D. should be made by specifications and by 'brands', that in all cases no less than 98 per cent advance payment can be made by them, as the average rejection percentage could not be as much as 2 per cent and that inspection at the works site would be of great assistance to both the suppliers and the indentors. Furthermore, the liability of the suppliers for the goods supplied should cease once the goods which have been approved are put on rail. Under the present rules, the contractor remains liable even for pilferages in transit.

8. Easing of the problems of the Pharmaceutical Industry, arising out of the Drugs and connected rules, would go a long way towards facilitating production. A complete uniformity in the enforcement of the Drugs Act in all the States is called for, and the Union Government should see that no State makes any local variations in matters connected with these Acts and Rules. We believe that at least in matters pertaining to industrial development, the country could be considered as one centrally administered unit, and that Industries and Excise Departments of the States would not attempt to consider themselves as law unto themselves.

9. A special reference to the slow development of production in the superphosphate industry is called for, as there is a real danger of a great short-fall in the production of this industry against the targets of the 2nd Plan. A production target for superphosphate of over 7 lakh tons in the remaining three years of the Plan period is to be reached as against the current annual rate of production of over 1 lakh tons only. I had highlighted this problem last year also, stating, that if the Plan target is to remain, not only a target, as was the case in the First Plan, a directed and purposive effort cannot be avoided. Production of superphosphate is dependent exclusively on its consumption. It is unfortunate that nitrogenous fertilisers are still considered a cure-all for our agricultural problems. Whereas almost without exception, the ratio of nitrogen to P_2O_5 , used in other countries is 100:115, in India it is 100:30. Developing an effective system of subsidy as in the U.K., readjustment of railway freights on the same levels as for manures, and more liberal granting of taqavi loans are some of the measures which will prove of use in attaining the targets of production of superphosphates.

10. Increase of superphosphate production acquires an infinitely greater significance in today's context of foreign exchange shortage. Imported nitrogen could be replaced by indigenously produced superphosphates in many areas, without affecting food production adversely, saving the drain on foreign exchange. A memorandum has been submitted in this matter to the Prime Minister by the Fertilizer Association of India, which could be usefully followed up in your Ministry.

Capital Requirements and Resources of the Chemical Industry

11. A reference has been made earlier to the cost-price squeeze and increased taxation which have reduced greatly the none too generous resources of the Chemical Industry. Chemical Industries, Sir, are capital-intensive.

12. The initial gross fixed capital requirement per worker in the Chemical Industry works out to more than six times as high as the requirement for all the industries covered by the Census of Manufactures, i.e., Rs. 19,700 as against Rs. 3,200. Contrary to popular impression, the working capital requirements are also high in the chemical industries, the average for all the Census industries in 1954 being Rs. 2,800 per worker, as against Rs. 7,000 for the chemical industries. The Second Plan targets call for a spurt in investment in the chemical industries from Rs. 26 crores in the First Plan to Rs. 132 crores in the Second Plan period. And a serious problem of finance availability arises. Chemical industries earned only 3% after paying taxes on their net worth during the period 1951-55 as against an overall corporate figure of 7.9%. When compared with other capital-intensive industries like steel, paper, cement etc., the picture is truly depressing and must cause concern to all interested in the attainment of the investment targets of the chemical industries, as the following figures show:—

Industry	Ratio of profits after taxes to net worth
Iron & Steel	17.6%
Paper	10.6%
Cement	11.0%
Chemicals	3.0%

13. According to a survey carried out by the Reserve Bank, the retained profits of 750 Public Limited Companies were 39% of the pre-tax profits. In the chemical industries, Sir, the comparable figure is only 1.2%. This may be compared with the retention in the other capital-intensive industries, being 66% in steel, 55% in paper and 39% in cement.

14. It will be obvious that the planning of the supply of capital is no less important than the planning of the supply of raw materials, utilities, etc. We had occasion lately to make an assessment of the capital needs of the caustic soda industry and were amazed to find that, as against the general idea of the capital requirement of Rs. 3/4 lakhs per ton-year of caustic soda, on the basis of latest costs, Rs. 6/7 per ton-year of caustic soda were needed, i.e., a total requirement of nearly Rs. 20 crores for meeting the Second Plan targets for the balance of the Plan period. Capital needs for other chemical products are likely to indicate capital requirements on a similar scale. Capital costs are increasing at an average annual rate of 8 per cent to 9 per cent, and a continuous adjustment in Capital cost estimates has to be made of these increases, for the estimates we make in one year become out of date for another year. There are usually three sources of capital availability open to any business, viz., share capital, loan capital, and internal capital. Whatever the source of capital, however, business must provide for basic 'capital-charges' in its cost and profit structure, viz., depreciation, rehabilitation reserve, dividends, interest on loan, repayment of loan, and a fair net return on investment, and if we wish to

avoid capital erosion, an acceptance of these capital charges in a realistic way will need to be made. It is not easy for any industry, and much less for the Chemical Industry, to raise capital in the share market these days. The procurement of capital however, must be looked at very much in the same way as the procurement of raw materials or any other services, i.e., the cheapest source must be tapped. Sir, the use of "Internal Capital" is the cheapest source of capital procurement, for there is no fixed charge for dividends as in the case of share capital, nor of interest on loan and provision for repayment of loan as in the case of loans. All this is not a matter of opinion but a fact, and I have to commend that if an objective study does uphold this conclusion, then the Government and the Tariff Commission should in their consideration of fair prices of products keep this aspect in view. For correct guidance as to the direction which our effort should take for tapping sources of capital for the Chemical Industry, we need to begin to visualise in a general way, the extent of the needs of the 3rd Plan from now on, for such a long range approach will help direct our thinking into practical channels.

DEVELOPMENT OF GEOLOGICAL RESOURCES

15. Geological resources are a source of great potential wealth for any country. In a vast country like India, there must be an unlimited store of wealth lying hidden underground, waiting to be tapped. Geological industries are primary industries, on the development of which are dependent scores of chemical and engineering industries, the development of which would open up vistas of prosperity undreamt of. Intensive and extensive development of our geological resources would provide large scale employment at home, and much needed raw ores and finished goods for export earnings on the other.

16. We know in the case of coal and iron ore how intensified development has increased our knowledge of our wealth, and we are well on the way to becoming a leading producer and exporter of these items. In the chemical field there are so many of our industries which are totally dependent on geological industries, e.g., aluminium on bauxite, ammonium sulphate on gypsum, caustic soda on salt and so on. There are numerous other chemical industries which could be set up on a sound footing only if they could be fed adequately by well-developed geological industries. Bleaching earths need bentonite, bleaching powder and calcium carbide need good lime, superphosphates need rock phosphate, sulphuric acid needs pyrites and gypsum and so on. Sir, in highlighting the importance of geological development for the development of chemical industries, I should like to mention that this aspect of our development as a vast potential source of national wealth appears to be somewhat under-rated. There is need probably for a closer liaison between the Ministries of Industries and Mines for a fuller exploitation of these resources. We could with advantage increase the educational institutions and also improve greatly the quantity and quality of the graduates that our educational institutes turn out in the geological field. Geological development should not prove a great burden on our resources, for in the early stages there will be greater need of human resources rather than of equipment.

17. I should like to suggest that the organisational structure in the field of geological survey and development may be put on product-wise basis rather than on region-wise basis, or in the alternative, for selected products at least, separate cells or groups headed by senior people should be formed for achievement of quicker and more dependable results. To my knowledge this has already been done, for instance, for oil, coal and steel—these product-wise specialised divisions could be extended to cover many more items.

CHEMICAL INDUSTRIES AND FOREIGN EXCHANGE CRISIS

18. Last year I had mentioned that the size of our Second Plan will be largely determined by our ability to provide adequate foreign exchange resources. The events during the year have testified to this view. I should like to repeat what I said last year, that it is a primary duty of us industrialists to give a new slant to our production plans for specifically augmenting the country's foreign exchange resources by canalising the development of the industry into:

- (a) products which will reduce imports, and
- (b) products which will increase exports.

19. It is the Chemical and Engineering industries which the Government and the people are now increasingly looking to, for solving this difficult situation. The items exportable by the Chemical Industry are varied in character, such as bleaching powder, bichromates, magnesium and calcium chlorides, Azo-dyes, calcium carbonate, animal glue, phenyl, D.D.T., Pencillin etc. We also need to change our approach to production capacities, from planning for self-sufficiency only to planning for surpluses for export. At present even the planning for internal consumption becomes inadequate, by the time the planned capacities have matured. There is no reason why even the Government factories producing ammonium sulphate, D.D.T., Pencillin etc., should not plan for exports straightaway. Furthermore, instead of setting up new units of production, which would need far larger resources, we should proceed on the basis of expanding capacities in the existing units.

20. The trade agreements concluded with different countries as well as direct enquiries, have brought out the fact that not only adjacent countries such as Malaya, Indonesia, Thailand, Ceylon, Egypt and Burma are important prospective customers for us, but even industrially advanced countries such as the U.S.A., the U.K., Canada and West Germany would buy some of our products. Prospecting for such exports has not been made so far in any systematic manner. I have to recommend that when negotiations for trade agreements are taking place with any country, representatives of the Chemical Industry through the Association may be given an opportunity for consultations with your Ministry. Such consultation at the time of the negotiations should be of considerable help in placing the export possibilities of the Chemical Industry in an appropriate perspective.

21. Unless the matter of foreign exchange is tackled on an austere basis, it will not be possible to have a rapid development of the country. I am one of those, Sir, who believe that the present generation will have to undergo hardships in the shape of restraint in consumption today, for investing in exports for the building up of India of tomorrow. I am glad that the Directorate of Export Promotion has set certain export targets for the chemical industries in the current year totalling over Rs. 5 crores. Expansion in manufacturing capacity, which is bound to arise by 1961 or later, and the importance of building up connections alike, demand that even if our exports should involve some sacrifice of domestic consumption, this risk should be deliberately taken. Informed opinion does appreciate this point, as I find from the Annual Report of the Directors of the Reserve Bank.

22. As an aid to exports, the Association sponsored the setting up of a Chemical & Allied Products Export Promotion Council, which we hope would be inaugurated shortly. I plead that we should bring to bear on the problem of export promotion a great sense of urgency and no delays should be allowed to occur in the licensing of exports, assigning freight priorities, draw-backs of duties etc.

23. I should like to repeat this year again what was mentioned with regard to the sulphur needs of the country. Sulphur requirements have doubled to 80,000 tons at the beginning of the Second Plan period as compared to the First Plan period, and will rise drastically during the next five years. We need to look for basic long-term solutions for self-sufficiency by the two-pronged drive for exploitation of the processes utilising pyrites and gypsum by the help of technical aid from Norway, Germany, Poland etc. A great deal of time, Sir, has elapsed in considering these matters and it must be possible to concretize decisions now, for sulphur, apart from being a key raw material, is draining away several crore rupees worth of foreign exchange resources, which could be easily saved.

Need for Sound Organisation and Good Management

24. In emphasizing the need for sound management to my colleagues in industry here, I have in mind the requirements of our Plans for economic development. The Second Five-Year Plan provides a model of economic growth in which per capita income would double by 1973-74, i.e., by about the middle of the Fifth Plan period. For this to happen, the planners envisage an increase of the investment effort of the community, so that India will make a net investment during Fifth Plan period of over Rs. 20,000 crores, which is over six times as large as the investment during the first Plan period; or to put the same thing in a different way, in the Fifth Plan, 30% more investment is expected to be made in a single year than was done during the entire First Plan period. It is difficult to over-emphasize the collateral need for management skills, proceeding and flowing from our attempt at economic progress, the abundant quantity of management skills required, their qualitative adequacy and of their continuity in time and uniformity of spread. Good management which must result in general prosperity is not something which comes about by chance. It is the result of the skill with which the affairs of a country or a business are managed. It will be found that a country has nationally bad business when businessmen are drifting, and that business is good when businessmen take hold of their own affairs, put leadership into them and push forward in spite of all obstacles. Only disaster can result

when fundamental principles of sound management are disregarded, and, what, looks like the easiest way is taken. These fundamentals of good management, as I know them, are:

1. to make an ever increasingly large quantity of goods of the best possible quality, to make them in the most economical fashion, and to push them in the market;
2. to strive always for higher quality and lower prices, as well as lower costs;
3. to raise wages gradually but continuously, and never to cut them;
4. to get the goods to the consumer in the most economical manner, so that the benefits of low cost of production may reach him.

25. In addressing this to my colleagues, I am conscious that we have come to show a vigorous determination to take difficulties in our stride, and that the business fabric of India, and by that I mean the intellectual and moral calibre of our businessmen, is far stronger today than even before, for there is growing appreciation that there is no gain comparable to that achieved by sound management practices.

26. I have attempted to place before you, Sir, and my colleagues in Industry, such important points as I feel need consideration. Before I close, I should record my appreciation of the co-operation and assistance which we have had from your Ministry at all levels. I wish also to express my thanks to the members of the Association, my colleagues on the Committee and the Secretary of the Association and his staff whose valued co-operation and assistance have been of great help to me during my second term of office. I am grateful to the members for the confidence they have expressed in me by re-electing me to a third term.

Gentlemen, I thank you for responding to our invitation and for giving me a patient hearing. I thank you, Sir, again most heartily and request you to inaugurate the Seventeenth Annual General Meeting of our Association.

Company Meeting

THE ASSOCIATED CEMENT COMPANIES LIMITED

Twenty-First Annual General Meeting of the Company

Speech of the Chairman, Shri Dharamsey M. Khatau.

Speaking at the 21st Annual General Meeting of the Associated Cement Companies, Limited, the Chairman, Shri Dharamsey M. Khatau, observed that he did not propose to comment upon major developments during the year in the economic and industrial field. There were many subjects demanding urgent attention, he continued: "But the fact is that so much has been said by so many with such little effect upon the course of events, that it seems pointless to take up your time by adding to the impressive volume of constructive criticism on current affairs already available to those who care to listen."

DEFICIT FINANCE

Saying that he would therefore content himself with making one or two observations concerning Deficit Financing, Shri Khatau remarked: "The quality of Deficit Financing, unlike that of Mercy which Shakes-

peare so lauded, is exceedingly strained, for it bleseth neither him that gives nor him that takes. That is to say, both the public as well as the Government...are ultimately the sufferers, because Deficit Finance soon over-reaches itself as has already happened in this country. The most disquieting feature of our approach to Deficit Financing just at present is that while Government appear to have recognised its dangers, judging by the recent speeches of their leading spokesmen, there is still no evidence of the impact of this recognition either upon the assessment of the resources for the second Five-Year Plan or, consequently, upon the magnitude of the Plan. The estimates of proceeds from taxation, from current surpluses of Central and State Governments, and from net borrowings, whether by the issue of public loans or from small savings, continue to be over-optimistic with the result that (i) the projected Plan Expenditure continues to be maintained at

a level unattainable in terms of available resources; and, (ii) the erroneous belief persists that, even at that level of expenditure, Deficit Financing will somehow be successfully kept at a low level. The truth is that the expected volume of funds is quite unlikely to materialise from the sources indicated, with the consequence that, if the Plan Expenditure is maintained so high as is still contemplated, a vast magnitude of Deficit Finance, with all that it entails in terms of over-investment, run-away inflation, rising prices (especially agricultural and raw materials prices) etc., is inescapable." In these circumstances, the Chairman hoped that in the next budget there would be evidence of sober and conservative appraisal of external and internal resources, on the one hand, and a grimly realistic re-phasing of Plan Expenditure, on the other, such as would minimise our reliance on Deficit Finance.

PRODUCTION AND PROFITS

Turning to the affairs of the Company, Shri Khatau observed that "the year under review had been one of mixed fortune: of distinct achievement, yet of poor reward." Though the Company produced and sold 2.5 lakh tons more cement than in the previous year, paradoxically enough, there had been a slump in the Company's profits, owing to a sharp rise in the manufacturing costs due to factors outside the Company's control such as higher cost of coal, enhanced railway freights and terminal charges, higher cost of stores and spares, etc. Other adverse factors were a higher wage-bill and an increased charge for depreciation. Further, the heavy incidence of taxation resulting from the increase in the rates of Income Tax and Corporation Tax, and the imposition of the Wealth Tax had left very much lower profits to the Company.

TARIFF COMMISSION

Continuing, Shri Khatau said that the Industry could not continue to operate and expand under those conditions and that Government had therefore directed the Tariff Commission to examine the cost of production of cement and determine anew a fair price to be paid to cement manufacturers. The ACC had placed its case fully before the Commission for an increase in price, and hoped that Government would sanction such an enhanced price as would cover the rising costs of production and also enable it both to plough back a reasonable portion of profits for rehabilitation and modernisation and also to finance its expansion programme under the second Five-Year Plan.

The Chairman pointed out that the increase in price asked for need not necessarily involve any increase in the present price of cement to the consumer for export destination. "Indeed, I would go so far as to say that it must not be so, both in the interests of the consumer and of the Industry. As you know, we have to sell our entire output to the State Trading Corporation at Rs. 54.50 per ton f.o.r. Works for neat (unpacked) cement, 'plus' Rs. 1.50 for selling expenses, 'plus' a packing charge which varies every quarter depending on the price of gunny bags and presently stands at Rs. 13.64 per ton. This makes a total of Rs. 69.64 per ton. But the State Trading Corporation sells the cement to the consumer at the controlled price of Rs. 117.50 f.o.r. destination. Allowing for the average incidence of railway freight from Works to destination at a little over Rs. 15 per ton, and Rs. 20 per ton for Excise Duty, the State Trading Corporation is left with a net profit of about Rs. 12.50 per ton. As there is likely to be practically no further substantial import of cement which the State Trading Corporation would be required to subsidise so as to sell such imports at an equalised price, and as the losses on such small imports as may still have to come in to fulfil existing commitments will be only a fraction of the enormous

profit which the State Trading Corporation has already amassed, there is no reason at all why the State Trading Corporation should any longer make any profit from cement. Furthermore, the present Excise Duty of Rs. 20 per ton includes the increase of Rs. 15 per ton imposed in May 1957 with a view to inhibiting the demand for cement. Thus the present price of cement to the consumer includes two inflationary elements: a profit of Rs. 12.50 per ton for the State Trading Corporation and the enhancement in Excise Duty at Rs. 15 per ton. If now simultaneously with the refixation of the cement price for the producers, this 'loading' of Rs. 27.50 per ton already imposed on the consumer is taken off, there will, I may assure you, be no need to increase any further the present price of cement to the consumer."

EXPANSION

Shri Khatau then reported that the various expansion projects that the ACC had in hand had made satisfactory progress. The extensions planned at the Kistna Cement Works had been completed but the additional capacity could not be fully utilized during the year owing to transport difficulties in respect of raw materials. The extension work at Sindri and Chaibasa had also made good progress. He revealed that a flotation plant was to be installed at Chaibasa to enable the use of low-grade limestone. The extensions at Kymore and Shahabad were also well under way.

NEW PLANTS

The Chairman informed the meeting that the ACC's new factory at Mancharial which is to use the dry process of manufacture would begin production in September 1958. He also announced that the Mancharial Plant would be duplicated in preference to the immediate construction of a new factory at Porbandar, which would be taken in hand again, later.

FIREBRICKS

Shri Khatau reported that the Katni Firebricks Factory, working at full capacity, not only met all the requirements of the ACC but was in a position to sell some 7,000 tons of refractories to steel plants, other cement concerns and to any industrial undertakings using heat-resistant firebricks.

SILVICRETE

The ACC's white cement—produced at Porbandar and marketed under the trade name of 'Silvicrete'—was becoming increasingly popular.

COLLIERIES

Raising from the Company's two collieries at Nowrozabad and Kotma had been fairly satisfactory and certain new schemes to increase their output had been sanctioned.

TECHNICAL TRAINING INSTITUTE

The Chairman continued: "The building, equipping and staffing of the Company's Technical Training Institute at Kymore was completed during the year and the first batch of 75 apprentices is now undergoing training...Intended primarily for the sons and relatives of the Company's employees, the Institute offers the best available training in India for our purpose, and most of the trained technicians will, in due course, form part of the specially trained skilled personnel of our cement Works...The curriculum also aims at turning out good citizens and I think the Company may well regard the Institute with justifiable pride."

FINANCE FOR EXPANSION PROJECTS

Speaking about the enormous capital outlay entailed by the Company's various projects of modernisation

and expansion, Shri Khatau stated that the Company's requirements of working capital had increased appreciably, and would increase still further in the next few years with the increasing tempo of production. The funds that the Company had already raised, whether from internal resources or by borrowing or by offering large issue of equity capital, were totally inadequate for the purpose.

"Your Board has therefore decided," he said, "subject to the sanction of the Controller of Capital Issues, to make a further issue of Debentures of Rs 5 crores on suitable terms and at the proper time during the course of this year. The proceeds of this issue will, however, be utilized partly for our investment in the Heavy Engineering Project which we may set up in collaboration with Messrs Vickers Ltd., and Babcock & Wilcox Ltd., to which I made reference last year, and partly for our substantially increased Working Capital requirements in the context of our steadily increasing production. A part of the proceeds may also be used for our immediate needs of the expansion programme.

"Even so, the funds of our disposal including the proceeds of the proposed Debenture Issue and the further internal resources which will accrue over the next few years, will still remain insufficient to meet the heavy capital outlay implicit in our major expansion effort. Your Company has, therefore, represented to the Tariff Commission the urgent need for the grant of an adequate Expansion Allowance in addition to a Rehabilitation Allowance in the new price of cement to be fixed in the near future. I earnestly trust that this request will meet a sympathetic if not a generous response, both from the Tariff Commission and from Government, because it is quite plain that without such an Allowance we shall be compelled to abandon many of the expansion plans and projects we have in view, for the simple reason that no further funds would be available from internal or external sources to finance them."

AUSTERITY

Referring to the slowing down of the tempo of work on the Company's expansion projects as a result of the uncertainty of financial resources and difficulties in obtaining foreign exchange, the Chairman mentioned that a good deal of capital had been locked up in the form of large quantities of equipment and stores including steel. The liquidation of these was receiving priority attention and an 'austerity' drive had been launched "not only to abandon, postpone or prune the purchase of stores, but also to minimize all other forms of expenditure."

PAKISTAN

The Chairman stated that the Company's two factories in Pakistan were operating satisfactorily, but that the return earned by the Company in Pakistan was very poor. The prices of coal, stores and other materials had sharply risen in that country, and the price increase sanctioned by the Pakistan Government in response to the Company's representation was altogether inadequate. In view of further increases in the cost of coal and other essential materials, the Chairman announced that the Company had again represented its case to the Pakistan Government. Shri Khatau also mentioned that the total incidence of Income-Tax, Corporation Tax and Business Profits Tax in that country had risen from 56.25 per cent to 62.50 per cent.

LABOUR-MANAGEMENT RELATIONS

Turning to labour-management relations, the Chairman observed: "You will be glad to know that the improvement in our relations with our employees to which I referred with some satisfaction last year has been maintained during the year under review. Once

again there were no strikes or stoppages of work to tarnish our record of round-the-clock production—a matter so vital for keeping down costs and for the fulfilment of the targets set under the second Five-Year Plan. This is a sure index of growing goodwill and mutual trust, and augurs well for our future. I would like you to join me in according the full share of credit to our employees for their praiseworthy contribution to our joint endeavour.

"It was this atmosphere of harmonious industrial relations that encouraged us to initiate talks with our workers' representatives with a view to reaching, if possible, a long term agreement on an all-Works basis. In the course of these negotiations it came to be appreciated, however, that one overall agreement, covering the variety of conditions at all our Works, was difficult to achieve and that the purpose in view would perhaps be best served by negotiating individual unit-wise settlements.

"It gives me great pleasure to be able to report that after patient negotiations, we have now reached such three-year agreements with our Workers' Unions at six of our factories.

"The agreements include such important matters as wage grades, dearness allowance, house-rent allowance and leave facilities. Negotiations at some of the other Works are still in progress, and I hope the day is not too distant when relations between labour and management at all A.C.C. Works will be regulated by similar settlements.

"To my mind the signing of these six settlements is one of the most significant events within the A.C.C., because the spirit which has brought forth these agreements should certainly lead to better industrial relations in the coming years and consequently to greater prosperity for the Company and, in the same measure, for those who work in it."

SHARES FOR EMPLOYEES

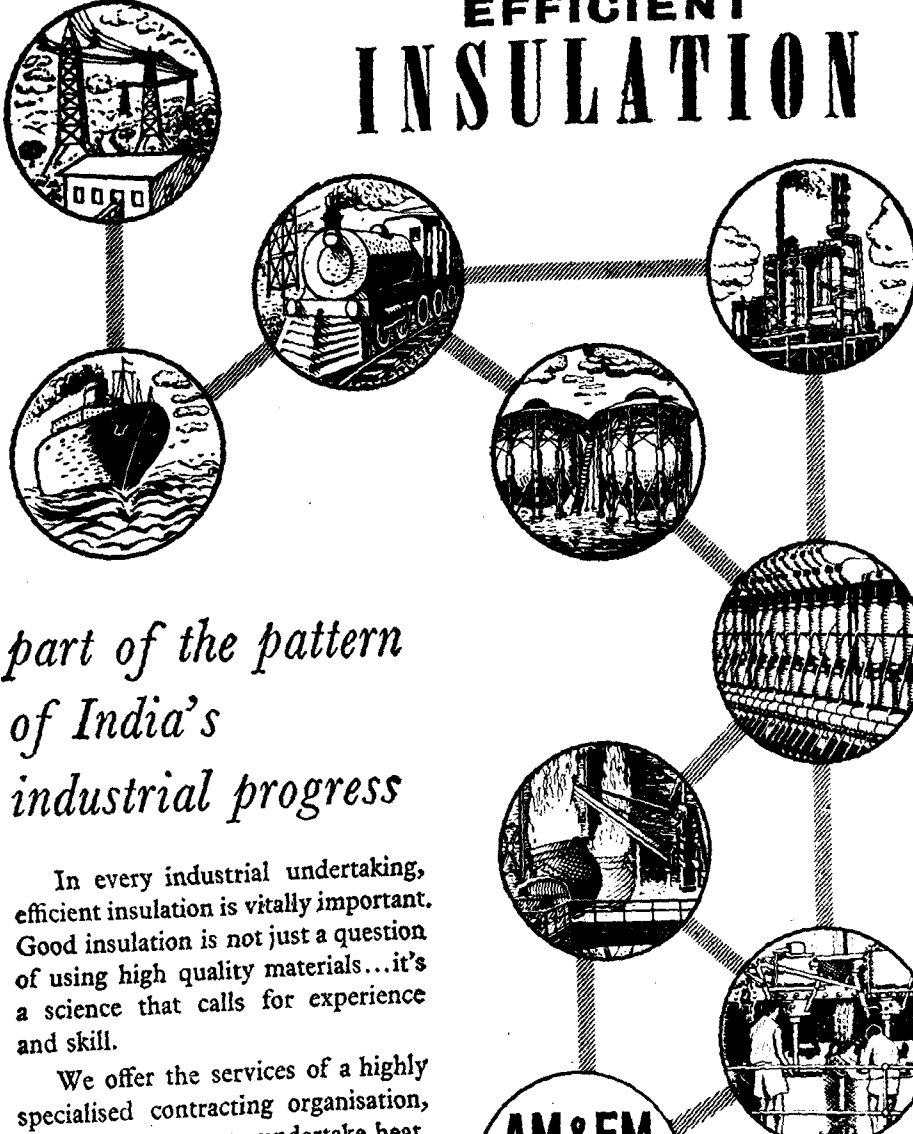
The Chairman stated that 12,202 shares out of the new issue of 6,35,928 shares had remained unapplied for by the shareholders as at 31st October, 1957. The Board had therefore decided to offer these 12,202 shares to the permanent employees of the Company at the face value of Rs 100 plus the premium of Rs 20 per share, and the consent of the Controller of Capital Issues had been obtained. Shri Khatau expressed the hope that this would not only enable the Company's employees to make a valuable investment, but would also give them a greater stake in the prosperity of the Company, the Chairman added that the offer of shares would have to be confined to the Company's employees in India and would not be made to employees in Pakistan because the State Bank of Pakistan had declined to grant necessary permission.

BONUS AND APPRECIATION

The Chairman announced that the Board had decided to pay a bonus to all the employees in appreciation of their excellent work: to those employees drawing up to Rs 1,000 per month by way of basic earnings a bonus equivalent to one-fourth of their basic earnings during the year; to those drawing over Rs 1,000 a bonus equivalent to one-fifth of their basic earnings during the year. The Chairman concluded by recording the Company's warm appreciation of the whole-hearted co-operation and sustained hard work put in by all members of the Company's staff during the year.

Note: THIS DOES NOT PURPORT TO BE A REPORT OF THE PROCEEDINGS OF THE ANNUAL GENERAL MEETING WHICH WILL BE SENT SEPARATELY TO SHAREHOLDERS ON REQUEST.

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In every industrial undertaking, efficient insulation is vitally important. Good insulation is not just a question of using high quality materials...it's a science that calls for experience and skill.

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CURRENT STATISTICS

INDEX NUMBER OF WHOLESALE PRICES

(Base: 1952-53=100)

		Food articles	Liquor & Tobacco	Fuel Power Light & Lubricant	Industrial Raw materials	Manufactures			All Commodities
						Inter-mediate Products	Finished Products	Total	
1953-54	..	106.7	98.6	99.2	109.7	98.5	99.0	98.9	104.5
1954-55	..	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.5
1955-56	..	86.6	81.0	95.0	99.1	100.1	99.6	99.7	92.4
1956-57	..	102.2	84.3	104.1	116.0	110.9	105.5	106.2	105.2
June 1957	..	109.3	92.3	111.7	121.3	108.9	108.5	108.6	110.7
July	..	111.3	93.7	114.0	121.6	108.6	108.8	108.8	111.9
August	..	112.1	92.1	114.7	120.1	108.2	108.6	108.6	112.0
September	..	108.5	93.7	114.5	115.4	107.3	108.9	108.6	109.5
October	..	107.2	95.0	114.5	114.8	106.7	109.1	108.6	108.8
November	..	107.9	96.5	115.0	116.0	106.0	108.8	108.4	109.3
December	..	104.0	97.5	114.9	115.4	105.7	107.8	107.5	107.0
Week Ended									
21-12-1957	..	103.6	97.3	114.8	115.8	105.5	107.7	107.4	106.8
28-12-1957	..	102.9	97.3	114.8	114.8	105.6	107.7	107.4	106.3
4-1-1958	..	102.9	98.1	114.7	114.1	106.8	107.7	107.5	106.2
11-1-1958	..	102.6	96.9	114.4	114.3	106.6	107.5	107.4	106.0
18-1-1958	..	102.5	96.1	114.4	113.7	106.8	107.8	107.7	106.0

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

period	Bombay			Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934 = 100	Ahmedabad July 1927 = 100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936 = 100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	108	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	194
1949	292	307	248	132	348	478	377	151	323	164	138	198
1950	298	313	257	132	349	434	372	153	325	165	145	198
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	146	140	138
1955	322	338	218	130	321	371	364	133	321	134	135	132
1956	336	352	244	142	347	424	397	151	356	152	146	145
1957	352	368	259	150	—	448	—	—	375	157	158	153
1957 February	340	356	253	151	350	438	412	158	369	157	148	148
March	339	355	254	151	348	433	414	158	367	158	148	148
April	334	355	256	148	345	427	415	162	369	161	152	148
May	346	362	257	151	352	441	420	163	369	157	156	150
June	352	348	259	152	371	446	423	168	373	159	156	153
July	358	374	263	152	371	459	424	165	373	159	156	153
August	359	375	265	155	375	468	427	163	373	157	166	156
September	357	373	262	149	378	464	426	160	372	156	167	155
October	356	372	260	149	375	461	429	162	375	155	166	153
November	365	383	265	148	378	457	431	165	391	156	168	156
December	365	383	257	145	—	443	—	—	390	154	166	157

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	31-1-1958			24-1-1958			17-1-1958			10-1-1958		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola)	112.19	110.87	111.39	111.19	110.31	110.83	110.72	109.28	109.99	109.62	108.25	109.01
Silver (per 100 fine tolas)	188.56	186.94	187.72	189.10	187.44	188.19	188.00	186.69	187.37	189.37	186.37	187.73

February 7, 1958.

THE EASTERN ECONOMIST

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RESERVE BANK OF INDIA ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSET						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1938-39*	182.36	28.28	210.64	44.42	68.95	111.37	52.91	67.11	32.16	210.64
1948-49*	1,253.84	22.02	1,253.86	42.49	907.47	949.96	75.43	42.96	265.62*	1,253.86
	(5.58)	(—)	(5.58)					(90)		(5.58)
1949-50*	1,128.94	24.00	1,152.94	40.02	647.04	687.06	59.59	50.53	415.36	1,152.94
1950-51*	1,163.21	17.19	1,180.40	40.02	624.70	664.72	56.31	57.21	458.47	1,180.40
1951-52*	1,189.84	27.78	1,217.62	40.02	625.27	665.29	54.64	63.98	488.36	1,217.62
1952-53*	1,114.84	27.87	1,142.72	40.02	564.40	604.42	52.89	80.22	458.08	1,142.72
1953-54*	1,133.95	23.03	1,156.98	40.02	594.02	634.04	54.80	92.83	430.11	1,156.97
1954-55*	1,196.19	22.98	1,219.17	40.02	648.81	688.83	56.58	102.28	428.09	1,220.18
1955-56*	1,339.39	17.08	1,356.47	40.02	656.52	696.54	51.35	106.87	553.06	1,356.47
1956-57*	1,475.77	18.75	1,494.52	44.42	545.61	590.03	39.95	115.61	755.22	1,494.52
				(117.76)		(663.37)	(44.37)			
Average of Fridays	1,582.22	17.53	1,599.75	117.76	412.52	530.28	33.35	125.60	943.87	1,599.75
May 1957	1,567.48	20.03	1,587.51	117.76	412.52	530.28	33.28	125.17	941.06	1,587.51
June	1,527.79	34.84	1,562.62	117.76	406.52	524.28	33.55	127.54	910.81	1,562.63
July	1,495.65	30.71	1,526.37	117.76	369.52	487.28	31.92	131.22	907.87	1,526.37
August	1,477.66	36.41	1,514.07	117.76	338.60	456.36	30.14	133.82	923.89	1,514.07
September	1,487.74	26.43	1,514.17	117.76	317.92	435.68	28.78	133.92	944.57	1,514.17
October	1,481.61	32.86	1,514.47	117.76	293.14	410.90	27.13	134.22	969.35	1,514.47
November	1,508.32	14.69	1,523.01	117.76	278.95	396.71	25.28	132.76	993.53	1,523.01
December	1,533.77	13.77	1,547.54	117.76	256.42	374.18	24.18	131.41	1,041.95	1,547.54
January 1958	1,540.72	10.21	1,550.93	117.76	270.26	388.02	25.02	130.81	1,032.10	1,550.93
Week Ending	1,540.25	10.76	1,551.01	117.76	245.54	363.30	23.42	130.89	1,056.82	1,551.01
10-1-1958	1,533.63	18.04	1,551.67	117.76	245.54	363.30	23.41	131.55	1,056.82	1,551.67
17-1-1958	1,531.20	20.73	1,551.92	117.76	245.54	363.30	23.41	131.80	1,056.82	1,551.92

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS					Other Liabilities†	TOTAL LIABILITIES & ASSETS**	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad \$	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Banks	Others	Total									
1938-39* ..	14.90	..	16.19	75	31.84	1.28	43.12	28.38	1.53	4.21	1.72	2	6.36	90
1948-49* ..	222.17	16.93	80.53	56.52	393.72	15.33	419.05	22.12	4.28	307.78	1.71	3.34	75.65	4.14
	(14.33)	(3.04)									(1)			
1949-50* ..	141.19	23.12	67.00	64.39	295.69	15.76	321.45	24.12	4.30	280.91	3.35	8.39	980.54	4.34
1950-51* ..	148.60	17.71	62.22	62.29	290.82	18.14	318.97	17.31	3.04	107.70	2.37	6.77	76.72	5.06
1951-52* ..	181.39	15.95	58.68	69.22	325.15	18.62	353.77	27.92	6.31	187.14	5.90	19.42	95.19	11.91
1952-53* ..	136.40	7.79	52.89	61.93	259.02	23.69	292.71	28.03	6.64	133.66	2.85	19.03	89.77	12.83
1953-54* ..	105.44	23.40	46.52	57.45	232.80	23.91	266.72	23.22	9.46	123.31	1.78	19.84	81.58	7.61
1954-55* ..	89.13	20.66	55.20	36.29	201.28	23.62	234.90	23.24	6.10	87.53	1.14	26.55	80.52	9.82
1955-56* ..	60.11	19.85	53.77	18.31	152.04	35.59	197.64	17.21	9.78	66.96	1.73	36.89	49.36	15.61
1956-57* ..	57.52	14.10	52.46	19.73	143.81	91.21	245.02	18.91	5.69	64.77	4.89	85.34	51.82	13.60
Average of Fridays														
May 1957 ..	52.89	4.38	63.37	83.53	204.18	152.64	366.82	17.67	4.45	64.50	18.91	111.31	136.35	13.62
June ..	53.09	3.29	71.77	112.40	240.55	153.86	404.41	29.16	3.82	46.06	24.53	98.02	188.36	13.57
July ..	53.64	2.79	86.56	149.28	292.27	150.01	422.28	34.97	3.10	29.21	26.99	74.82	241.04	12.15
August ..	65.46	7.40	90.60	126.86	290.31	146.20	421.51	30.84	3.38	20.94	31.46	81.90	244.49	8.49
September ..	61.52	7.96	101.67	110.31	271.46	149.15	405.61	36.54	5.99	27.32	42.90	68.80	211.07	12.99
October ..	51.93	7.91	98.04	112.25	269.12	156.59	410.71	29.53	3.04	18.34	49.26	72.21	223.35	17.98
November ..	52.89	8.94	104.79	110.91	277.53	158.06	420.59	33.00	2.28	24.37	41.23	58.22	244.15	17.35
December ..	57.64	8.22	75.00	115.07	255.94	158.52	399.46	14.80	4.78	24.38	36.07	55.13	248.08	16.22
January 1958 ..	54.97	21.36	68.29	114.61	259.22	172.24	416.46	13.88	2.83	31.49	35.40	68.03	248.17	16.67
Week Ending														
10-1-1958 ..	49.69	16.16	60.29	115.66	241.79	163.50	390.29	10.33	3.74	19.63	34.62	73.47	231.87	16.32
17-1-1958 ..	52.11	31.35	66.20	115.83	264.49	187.47	436.96	10.87	4.06	42.20	35.37	72.36	255.43	16.63
24-1-1958 ..	62.43	23.85	73.84	112.63	272.75	172.06	429.80	18.16	1.97	39.89	36.37	61.64	255.07	16.71
31-1-1958 ..	58.13	27.34	75.73	113.21	274.41	173.47	432.89	20.84	1.22	37.75	36.04	65.28	254.73	17.03

which may be decisive is by no means to detract from the public character of the inquiry and the fearless manner in which the proceedings have been recorded. There may be some debate as to whether or not the opportunities for public participation should have been as large as they were. But it is difficult, if not impossible, to carry the assurance that proceedings are just without the public's access at all times. Mr. Justice Chagla is to be congratulated on his refusal to consider the suggestion that these proceedings should be *in camera*. Publicity has been the means by which the jubilant sense of living up to the highest standards of public morality has been conveyed. Some untoward incidents have occurred but these were expected, as our people are still resentful of the concentration of power, as they are of money, in a few individual hands. A "have-not" society cannot be a uniformly well-behaved society.

The lessons of the inquiry are not as profound as the newspapers have purported to make them. There can hardly be any doubt, for example, that in the Indian Constitution, the responsibility of the Ministers for all happenings in their departments was of the British type, and that the Minister is responsible whether or not he has taken a part in any transaction which calls forth public concern or indignation. Again, to point out that an autonomous statutory corporation should not be interfered with by the Government in day-to-day administration needs no argument. Finally, if expertise in dealing in commercial matters is a condition of operation, such expertise should be sought on the basis of particular competence and not of general administrative experience. Finally, where procedure has been laid down by law there should be no departure from that procedure except for the most extraordinary circumstances. All this seems obvious. But in its reiteration of the obvious, the Chagla report has done some service to the country. It has shown that, in the Age of the Revolution, there are no dispensations allowed to the Government of a Hero of the Indian Revolution against normal conventions and normal practice under the Rule of Law.

One can take note of these successes of the Chagla inquiry and yet wonder whether, on balance, it has succeeded in making the Indian people, or even Indian public executives, wiser than they were before. There are nice debates proceeding in Delhi as to whether or not the Attorney-General, as the senior most law officer of the Central Government, should have acted in a manner which implied that he was not appearing on behalf of the Central Government but only on behalf of policy-holders. There are uncomfortable suggestions that the highest in the land were not adequately heard and the Finance Minister and the Governor of the Reserve Bank were left defenceless when suggestions were made which have undermined their personal authority. The Finance Minister's resignation, apart from constitutional propriety, would have been inevitable because of the questioning of his judgment in large areas in the country where the proceedings have been greedily digested. Thus a considerable amount of doubt has been raised on persons whose efficacy depends upon their enjoying the highest respect and confidence of the entire public. This impersonal loss of confidence is a serious matter—more serious, indeed, than the harsh manner in which two figures in the inquiry, T. T. K. and H. M. Patel, have been impaled on a single mistake although in a period of anxious service to the

country their many right decisions have certainly outbalanced the wrong ones. The law always works within the confines of particular allegations and particular charges and can, therefore, tell only an insignificant portion of a personal story. It is history that must write the entire piece. It is, therefore, left for the historians, writing of this vital period in Indian history, to say what T. T. K. and Mr. H. M. Patel have done for this country; almost certainly their verdict will be substantially different from that recorded in the papers today.

It will be very wrong, in the jubilation that has come about because of the triumph of democracy in a new and an unusual manner, that one should fail to recognise that to the Finance Minister of India, whose resignation has now been accepted, India owes a tremendous debt. As Minister for Commerce and Industry, T. T. K. gave to industrial production and to the concept of trade and commerce an original and, on the whole, a salutary turn. The private sector owes to him much more than now it is willing to admit. As Finance Minister he operated a policy, mistaken as has been pointed out frequently in *The Eastern Economist*, in an excessive destruction of incentives, but nevertheless a policy which commanded the support of a majority of the Indian Parliament. It is a policy which needs correction, but it is right that one should at this time pay a tribute to the courage and invincible determination which accomplished these deeds. We are not so well supplied with courage and determination that we should be unready to give credit where it is due. The dignity and assurance with which he has borne himself in the last seven days, when it was known his resignation had been presented, is again a subject for just pride.

To those abroad who may ask what will be the consequences of the departure of Mr. T. T. Krishnamachari, the Prime Minister has attempted to give an answer in the form that no fundamental change of policy is proposed. This can only be half the answer. Indian financial policy in the last two years has been full of a personal equation and it will undoubtedly change. All that can be said in the current session of Parliament where T. T. K. has framed the budget is that the policy is his, even though it might conceivably differ from the Budget of 1957-58. But there will come a time when another Finance Minister and, inevitably, one very different to T. T. K., will take the helm. It is right that there should be no undue regret at the passing of one Finance Minister and the coming of another. What is essential is that we should all stand together, and see that this nation which is struggling, under God, to find its own solutions to overwhelming problems, should not be distracted by petty personal rivalries; it should recognise that the nation is more important than its rulers, the problems more important than the approach to them, and that personal dignity and honour more worthy of respect than particular men who are raised to or lowered from office. As the curtain goes down on this inquiry, one hopes that the tragedy which has been enacted, while bringing to the Indian people a sense of proud participation in their own destiny, will also raise their stature, as well as that of the administration which they have censured. In a democracy both good and bad must be shared by the entire nation; there has been room for both. But let only good emerge from the ordeal, as by fire, through which we have just passed.

The State of the Republic

THE President's address to the joint session of Parliament, though necessarily a chronicle of the Government's achievements and a re-statement of known policies in 1957, is reassuring. It was heartening to hear that the privations and hardships suffered by the people during the last year have not been in vain. Food prices admittedly show a downward trend. The President showed, however, no complacency or aplomb. It is premature to assume, he observed, that the corner has been turned.

The experience of the last few years has revealed once again that when the rise in prices is not matched by a corresponding rise in purchasing power or when an increase in production remains unaccompanied by an expansion in employment opportunities, apathy bordering on frustration is the inevitable result and that no amount of pleasant phrases and pious promises can remove it. The fruits of planned development must reach the common man. The President's statement that the food front will be stabilized by importing food grains, if need be, is reassuring.

There are other domestic problems to which a solution has either yet to be found or is in too elementary a stage at present. The Official Language Committee of Parliament has yet to give its views on a problem which has provoked renewed controversy. The changes introduced in the Community Development administration are also so recent that no assessment of their effect is yet possible. Theoretically the changes envisage stirring up stagnant waters of village life by giving more powers and initiative to the block development officers and by training farm leaders at the village level. But how long it will take to translate theory into practice is a matter of conjecture. Proposals regarding labour-management relations in industry on which peace and progress in industry very largely depend are still at the stage of discussion. Similarly the experiment in the Naga Hills has still to justify itself by results.

Frankly, it is not very reassuring to be told on the eve of the eighth year of planning that the fate of the second Plan is still uncertain. Uncertainty on this score is a serious road-block to the progress of the Plan. True, the foreign exchange crisis, which had overtaken the Plan, has, to a great extent, been mastered through generous aid from the United States, Russia, West Germany and Japan and there is every reason to be grateful to these countries. But finally the success of the Plan will depend on the indigenous resources and on the consciousness of what can really be done without violence to reason and realism. The President has promised an assessment of the "core of the Plan" during the budget session. This is bold realism. Those who regarded the Plan as something sacrosanct have at long last begun to have second thoughts about it. The Suez crisis of October 1956 was in some degree responsible for the rise in the cost of the Plan. But the main reason for the crisis is to be found in a variety of factors which are now too well known.

The President's exhortation to the people to strive hard for the success of the Plan is welcome, but something more is needed. What the people need further is the conviction that their sacrifices are not being made in vain. After all, to the common man the yard-stick to measure the economic health of the Republic is the satisfaction

of mundane needs. This apparent contradiction between the common man's experience and official claims explains largely why such cheering words fail to evoke full response. The fault certainly is not the President's. Official appraisal does not necessarily reflect those forces and factors which the common man has to contend with in his daily life.

On the political plane, the Republic's problems are less formidable. This is, however, not to say that these do not call for unremitting attitude and effort. The process of emotional integration is by no means complete. Fissiparous tendencies, arising from regional, linguistic, caste and communal differences, continue to cause headache. If there is communal tension in the Punjab, reminiscent almost that of the pre-partition days, caste riots took an ugly form in the South. The question of Samyukta Maharashtra is still agitating the minds of the people of the bilingual State of Bombay. In Kashmir, Sheikh Abdullah is adding to the difficulties of the State. In Bengal, the demand for retaining English as the official language of the country is gathering momentum. There is also the disturbing prospect that unthinking enthusiasm for Hindi may unite in revolt all other major linguistic groups in the country. But there is awareness, at the same time, in the highest quarters of the country of the need to "hasten slowly" with plans for welding the various elements in the country into a single nation by legislation or majority fiat. The chances are that the country will be able to muddle through to sanity and a common spiritual aspiration.

In his reference to foreign policies of India, the President noted with "regret and surprise" reports that some countries, including our neighbour, sought at a recent meeting of the Baghdad Pact to be equipped with atomic weapons. The President was careful to express his "profound belief" that none of the Great Powers "will give encouragement to these desires and the outlook that persists". He declared, perhaps by way of hypothetical argument, that though India was in a position to produce atomic weapons of her own, she had no such intentions. India's only hope of the mastered secrets of the atom is to catch up with the industrially advanced countries of the West. The President disclosed that the Government had under consideration the construction of one or more atomic power stations in the current Plan period.

Preoccupied as we are with many and varied problems of internal development, it is nevertheless impossible to dissociate ourselves from the pursuit of international peace. The President summed up the world situation as "ominous" despite the absence of any immediate crisis because of the present tensions and deadlocks. Even an "epochal advance" like the launching of earth satellites "can well become another threat to the world peace". The President hinted at this country's disappointment at the frustration recently of the chances of discovering common ground between the two power blocs when Russia decided to stay out of the reconstituted Disarmament Committee of the United Nations. He pleaded, however, for a summit meeting in view of the growing public demand and because it might open the way "towards the easing of tensions and some progress in the field of disarmament."

Austerity or Strait-jacket?

WITH austerity written into imports and near-rigidity operating on exports it was perhaps natural that the recent meetings of the Import and Export Advisory Councils should have tended on the whole to be colourless. The virtue of the restrictionism adopted with regard to imports lay in its inevitability. Undoubtedly it has produced some results. There has not only been a reduction in the unbearable pressure on the foreign exchange reserves, but, what is more, it has been possible to convince to some extent at least friendly foreign Governments that the country is not just wasting its foreign reserves. There can be no doubt that the recent silver lining on the foreign exchange front—as reflected by the assurance of some substantial foreign economic assistance—should be ascribed in no small measure to the austerity practised by the country on the import front.

All this is good in so far as it goes. It can of course be readily conceded that the policy of liberalisation is dead and there can be no major departure for quite a long time to come from a restrictive import policy. But the trouble arises when attempting to improve the position on foreign exchange account. There are two aspects that should be considered in their proper bearing. One is the question of utilising existing installed capacity to the maximum and the other the question of setting up new undertakings. There can of course be no difference of opinion that higher priority should go to the former, but Mr. Morarji Desai's assurances about provision of adequate industrial raw materials to keep domestic production going has not served to remove considerable uneasiness on this score. The amount now provided is patently inadequate. Why are any capital goods allowed while raw materials are short? It has been made clear that while this has a lower priority, it is at the same time dependent on deferred payments arrangements. Something should be done to show that the order of priority is drastic in its application to the import of capital goods except in respect of hard core projects.

Unfortunately it cannot be denied that what is obtaining at present is an all-covering haze through which it will be difficult to discover any clear lines of demarcation. It would appear that as between capital goods and industrial raw materials, almost any sort of permutation and combination is possible. The resulting confusion should be obvious and it is clearly the responsibility of Government to come out unequivocally that no import of capital goods would be allowed until all the essential raw materials have been provided. It is unnecessary to labour the point further in view of the serious implications. It is not only a question of keeping production going and preventing unemployment but insulating the economy from the disastrous effects of an accentuated inflationary potential. The only way to expand industries should therefore be in the immediate future along lines of foreign participation in financing new projects. Here undoubtedly it behoves Government to make everything possible, apart from verbal assurances, for creating a climate that would prove attractive for the inflow of foreign equity capital. It is on the success of this that any further stimulation of the interest of investors abroad is conceivable and it is along these lines that some relief could be found to make up for the tight position in this matter of imports.

Import restrictions, however, imperative they may be from the point of view of conserving foreign exchange, after all only reflect a negative

policy. The positive element must therefore operate on the side of exports and their active promotion. The proceedings of the Export Advisory Council, however, are not such as to evoke much enthusiasm. The basic fact is that with drastic curtailment of imports and a large domestic market, nothing would be more natural for Indian industry than to concentrate on production for meeting internal demand rather than for exports unless there are overriding advantages in favour of the latter. It would therefore appear that Mr. Morarji Desai's advice that even disregarding profits, every industry in the country must export at least such quantities of its production as would pay for its essential raw materials is a counsel of despair. It sounds idealistic but it is hardly practicable. Unless costs are competitive and a reasonable surplus arises after meeting domestic requirements, there is no possibility of stimulating exports to any appreciable extent.

It is therefore up to Government squarely to face the responsibility in this direction instead of trying to pin it on trade. There are obviously a number of inhibiting factors that stand in the way of appreciable exports which have to be tackled on a realistic basis and therefore it is easy to understand the anxiety with which Government's decisions on the Export Promotion Committee's major recommendations are looked forward to. It may be mentioned that they relate among other things to the need for a sustained increase in production, maintenance of prices at competitive levels, acceptance of the principle that exports should be encouraged even at some sacrifice of domestic consumption and exploration of new markets. However, what is of immediate relevance is giving up of doctrinaire policies in several directions. For example, it is admitted that export duties have ceased to be a major source of revenue and several concessions are possible to make export prices more competitive. Again with all our enthusiasm for diversification of exports, we cannot ignore the importance that the traditional lines of export must hold and these consist of agricultural commodities and manufactured articles having an agricultural base.

An industrialist member estimated that 1957 exports would be about Rs. 648 crores as against Rs. 614 crores in 1956. But it requires to be examined as to why in spite of considerable efforts, industry has not responded as much as it should in the matter, for example, of textile exports. The suggestion that there should be some relaxation of the stringent conditions attached to the installation of automatic looms certainly deserves greater consideration. The dichotomy in production processes that Government insists—one for internal production and another for exports—does not in any case seem to be quite feasible. It would again be only part of pragmatism if, instead of pinning an excessive faith in the capacity of the State Trading Corporation for boosting exports, which was not viewed with much enthusiasm by even the Export Promotion Committee, Government makes serious attempt to take the opinion of trade and industry itself rather than indulging in facile generalisations. Thus there is no reason why private business men should not be associated with the Foreign Trade Board as was suggested at the Export Advisory Council to inject greater vigour to its work. There is no escape from the hard reality that efforts at export promotion will prove successful only over a period of time and not immediately.

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NATIONAL TRUST AND SAVINGS ASSOCIATION

Condensed Statement of Condition December 31, 1957

(Figures of Overseas Branches are as of December 24, 1957)

RESOURCES

Cash and Due from Banks	\$ 1,850,658,364.57
United States Government Securities and Securities Guaranteed by the Government	1,873,880,684.95
Federal Agency Securities	114,084,739.81
State, County, and Municipal Securities	615,224,494.07
Other Securities	139,340,429.60
Loans Guaranteed or Insured by the United States Government or its Agencies.	1,345,072,437.40
Other Loans and Discounts	4,209,711,583.91
Bank Premises, Fixtures, etc.	115,159,169.02
Customers' Liability on Letters of Credit, etc.	318,278,678.02
Accrued Interest and Other Resources	57,739,009.77
TOTAL RESOURCES	\$10,639,149,591.12

LIABILITIES

Capital	\$ 160,000,000.00
Surplus	290,000,000.00
Undivided Profits and Reserves	133,021,220.77
TOTAL CAPITAL FUNDS	\$ 583,021,220.77
Reserve for Possible Loan Losses	90,926,400.83
DEPOSITS { Demand \$4,790,055,035.50	9,524,116,722.65
{ Savings and Time. 4,734,061,687.15	
Liability for Letters of Credit, etc.	320,828,328.30
Reserve for Interest, Taxes, etc.	120,256,918.57
TOTAL LIABILITIES	\$10,639,149,591.12

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Condensed Statement of Condition December 31, 1957

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(Branch figures are as of December 24, 1957)

RESOURCES

Cash and Due from Banks	\$107,755,854.74
United States Government Obligations	9,734,347.21
Other Securities	18,353,830.67
Loans and Discounts	139,124,212.06
Customers' Liability on Letters of Credit, etc.	173,730,622.03
Accrued Interest and Other Resources	2,520,123.75
TOTAL RESOURCES	\$451,218,990.46

LIABILITIES

Capital	\$34,000,000.00
Surplus	6,600,000.00
Undivided Profits	1,205,241.61
TOTAL CAPITAL FUNDS	\$ 41,805,241.61
Reserve for Possible Loan Losses	2,128,329.59
Deposits	227,897,803.93
Liability for Letters of Credit, etc.	176,199,088.02
Reserve for Interest, Taxes, etc.	3,188,527.31
TOTAL LIABILITIES	\$451,218,990.46

THE GERMAN STEEL INDUSTRY

(From Our Special West European Correspondent)

PARIS, February 10.

THOUGH national economic power is coming to be reckoned in terms of energy production — oil for the French, nuclear power for the British—the Germans continue of necessity (being excluded from those fields) to place their reliance on steel. This is traditional in Germany, where the economy has always been "bottom-heavy", that is, excessively concentrated on the heaviest industries, which can find outlets only in armaments or exports. The German steel industry was already well established before the first World War, and the disestablishment of two lost wars have made surprisingly little difference to its structure and none to its importance. In no country does the steel industry make such a large contribution to the national product, and the weight of its influence is going to be increasingly felt in the years ahead, not only in West Germany itself but in the unified Europe that is slowly taking shape. This fact, and the circumstance that India now has a direct connection with the German steel industry, make a review of its present position instructive.

In 1946 Germany could produce no more than 2.9 million tons of steel. Today, including the Saar, the Western Republic is producing around 27 million tons annually and is the third largest steel producer in the world, after the USA (104 million tons) and Russia (48 million tons). It was in 1955 that Germany outstripped Britain, and has since been going further ahead of all her European rivals. Her 23 million tons in 1956 (the latest whole-year figures available for all these countries) is to be added to the Saar's 3.4 million tons, and then compared with Britain's 21 million, France's 13.4 million, Belgium's 6.3 million, Italy's 5.9 million and Luxembourg's 3.5 million. Because of Russia's vast expansion, Germany has no hope of regaining the second place she held in 1938, after the USA, but the important fact for West Europe is that in 1960 Germany will be producing exactly twice as much steel as France — 30 million tons against 15 million.

Equally significant is it that although Germany is now producing only 8.2 per cent of the world's steel, against 17.6 per cent in 1938, this smaller percentage has a much more decisive influence on world markets. This is because in 1938 the Hitlerite war machine absorbed most of Germany's output whereas today the absence of a heavy armaments industry allows the German mills to export. In fact they export about 20 per cent of their production; some groups like Krupp or Mannesmann export 23 per cent or 24 per cent of their output. These exports are a substantial factor in the chronic trade surplus of the Federal Republic. Most of them are directed overseas, for the neighbouring West European countries that make up with Germany the coal and steel pool buy only 3 per cent of total German production and, moreover, actually sell certain types of steel to Germany. Thus the Ruhr mills depend heavily on the custom of a scattered world market, especially the under-developed countries. It is this that encourages them to disregard prophecies of a glut of steel in the West, for they argue that there is little chance of a continued depression in Asian and African countries where steel consumption is only 22 lb. a head a year, compared with 1,320 lb. in the USA. This attitude is perhaps over-optimistic, for it disregards (in characteristic German fashion) the payments difficulties that can arise from over-exporting to countries whose foreign exchange position is always precarious. But, to be sure, if combined Russian and American assistance to the under-developed countries continues to stimulate their economies, the German calculation is justified. One need merely notice that it is typical of

German heavy industry that it should leave all the political and financial risks of supporting Asian and African development to the various sorts of "imperialists" — Russia, the USA, Britain and France — while contenting itself with exploiting, even over-exploiting by way of one-way trade, the commercial possibilities that this opens up.

As is known, the decisions taken at Potsdam to break up the Ruhr monopolies came to very little, mainly because of the failure of the war-time Allies to agree on a policy for Germany. The division into two power blocs, the necessity to re-arm, and finally the Korean boom restored the German steel industry not only to its pre-war potential but to its pre-war structure. Instead of the seven Konzern that in 1938 produced 75 per cent of German steel, there are now eight groups that produce 74 per cent of total output. The coal and steel pool has done very little, either, to discourage re-concentration, and today the German mills possess, just as they did before the war, their own coal mines, their processing plants, their selling cartels, their ports and their shipping fleets. Two significant changes have, however, taken place: their extent of foreign shareholding and the degree of workers' co-operation in management.

Dutch, Swedish, French, Belgian and Swiss capital now all have an interest in the German steel industry. One cannot show this clearly, because the ownership of capital and the interlocking of interests (usually disguised) are today just as complicated as before the war; the capital structure of the Ruhr empire continues to be a baffling labyrinth, and continual changes and mergers do not make matters any clearer. Still, it is known that the Dortmund Horder Hutten-Union is controlled by Ijmuiden (Dutch), the Klockner steel mills by N.V.H. Montan (Dutch), the Bochumer Verein by a Swedish party, the Phoenix-Rheinrohr by Amelie Thyssen (Swiss), two other major workers by the Countess of Zichy (Swiss). The other groups are controlled by German capital and foreign participation is in a minority.

The workers' participation in management is more general than is commonly realised. The boards of direction of the German steel mills and coal mines are constituted half by shareholders and half by employees. Further, each concern has a work director (or chief of staff) who is designated by this board of direction after election by the whole of the staff, and this personage is not a democratic decoration but a key figure in the plant. It is too early yet to pronounce on the value of this system, but it appears to have produced a climate of internal harmony which has facilitated social progress and avoided strikes and discontent. It has not, however, prevented the German Social Democratic Party from advocating the nationalisation of iron and steel, along with other basic industries.

The Social Democrats have particularly criticised the extent of self-financing in the German steel industry, that is, the degree to which expansion is financed not by appeal to the open capital market but by the ploughing back of profits. This is held to favour monopoly and, in general, to isolate the industry from public scrutiny and moral control. Indeed it does this, but auto-financing is part of a universal trend in contemporary capitalism. All the arguments liberal economists produce against it are perfectly sound, but are ill-suited to use by socialists because it is socialist complaints about generous dividends (and socialist-inspired government taxation and limitation of dividends) that has forced auto-financing on modern capitalism. For example, taxation of the German steel industry's profits

is such that in order to pay a net 6 per cent dividend to shareholders, the steel mills would have to make a 20 per cent profit on their capital. Obviously such legislation has the result of making it impossible to raise money in the stock markets. In any case, private saving has been at a low level in West Germany until recently. The revival of the capital market lately might permit freer recourse to healthier methods of financing in the years to come.

We have the figures for the financing of the German steel industry's expansion between 1948 and 1955, and their analysis brings out how small has been the contribution of private saving, how great the reliance on ploughed back profits. In this period the industry invested 4,530 million marks, obtained from the sources given in detail alongside.

Thus half of the capital required for expansion has been obtained from undistributed profits, and the call on private savings has been negligible. Granted that the annual turnover of the West German steel industry is around 15,000 million marks, this degree of reliance on ploughed back profits does not seem to be excessive in comparison with the extent of auto-financing that is now general in the West. Nevertheless, in view of the German steel industry's history in this century and in view

of the preponderant role it must play in the economy of West Europe, some increased reliance on the general public, through the stock markets, for its capital (and hence on the sanction of public confidence for its expansion plans) would be a welcome and healthy development. It would also give more plausibility to Bonn's doctrinaire defence of free enterprise capitalism.

(Some readers might be interested to compare this article with the study of the Italian Steel Industry published on this page on December 20, last.)

(In millions of Deutschmarks)

New issues in the capital market	165
Marshall Aid	165
State Aid	300
Bank Credit	1,700
Auto-Financing	2,200
	4,530

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WORLDGRAM

AGRICULTURE

Development of Improved Varieties of Rice in Kerala and Madras: A three-year research scheme has been sanctioned by the Indian Council of Agricultural Research for development of improved varieties of rice in Kerala. The scheme aims at evolving better rice in Kerala. The scheme aims at evolving better strains of rice for the saline coastal areas in "Kaipad" or "Pokkali" lands, and Onattukara region in Kerala, and for improving cultural practices in growing paddy in these areas. The agronomic problems connected with rice cultivation in the middle lateritic belt and the Kuttanad area will also be studied. The research work will be undertaken at the Kaipad, Kuttanad, Onattukara and the Middle Lateritic belt research stations. The total cost of the scheme, beginning from April 1, 1958, is estimated at Rs. 3,24,720, of which half will be available from the Indian Council of Agricultural Research. Another scheme for evolution of paddy strains for irrigated areas in Thiruthuraiipoondi taluk of Tanjore district in Madras State has also been sanctioned by the ICAR. The object is to evolve high-yielding flood-resistant varieties of paddy. The total cost of this scheme is estimated at Rs. 63,350, of which Rs. 31,670 will be contributed by ICAR.

Oilseeds Industry to be Developed on Co-operative Line: The Government of India has decided that schemes should be formulated for developing the cottonseed crushing industry exclusively on co-operative lines for the benefit of growers. This is one of the decisions taken by the Government on the recommendations of the Oilseeds Crushing Industry Inquiry Committee. The Government has also expressed the view that it was desirable to organise a network of village oilmen's co-operative societies throughout the country. Such societies could be formed in villages or compact group of villages inhabited by a large number of oilmen. One of the main functions of the co-operative societies should be to ensure a continuous supply of raw materials to oilmen by stocking oilseeds in godowns soon after the harvest, when prices are not very high. The societies should also buy oil and oilcakes produced by the members, and arrange for the products to be sent to co-operative marketing societies or the warehouses established by the Central and State Warehousing Corporations. In areas where a separate society cannot be formed, the oilmen should be enrolled as members of co-operative societies, and oilseeds required by them supplied from godowns of a large-sized credit society. Similar facilities might be provided to them by marketing co-operatives. It is further recommended that State Governments should remove the difficulties experienced by the co-operative societies by extending credit facilities to them for building godowns. Oilmen (telis) could also be helped to become shareholders of co-operative societies. Among other recommendations accepted by the Government is supply of 10,000 improved 'ghanis' to oilmen every year on a subsidised basis, the subsidy on each 'ghani' to continue to be Rs. 150. It is also felt that the Indian Central Oilseeds Committee should examine the problem of collecting and publishing statistics regarding production of minor oilseeds.

INDUSTRY

Increased Output of Penicillin in 1957: The output of penicillin at the State-owned factory at Pimpri near Poona rose to nearly 23.6 million mega units during 1957. The production in 1956 was 14.1 million mega units. In terms of the finished product for clinical use, the production of penicillin was nearly 17.9 million mega units during 1957 as compared with 5.2 million mega units in the preceding year. Production in the

factory, which commenced in August 1955, has been steadily rising. This has been possible because of the development of high yielding strains and all round improvement in the manufacturing technique. The sales have also been going up. During December 1957, the sales amounted to Rs. 22.71 lakhs, an increase of Rs. 1.77 lakhs over the sales effected in the preceding month. The penicillin is supplied to civil and military hospitals and to commercial distributors for sale to the public. During the financial year 1956-57 the factory made a small profit after providing for depreciation and interest on loan. The Pimpri factory, which is the only factory manufacturing penicillin in India, has been set up by the Central Government with financial and technical assistance from two United Nations bodies, the International Children's Emergency Fund and the Technical Assistance Administration.

Delhi D.D.T. Factory's Output Up By 25 Per Cent: The DDT factory in Delhi, set up by the Government of India, stepped up its production to 623 tons of DDT in 1957 — a 25 per cent increase over the production of the previous year. The output of the factory, which went into production in 1956, has been steadily increasing. As against the total production of 172 tons of technical DDT in 1955 the output in 1956 was 492 tons. The factory has reached its rated production capacity of two tons per day. A scheme for doubling the capacity of the factory, to turn out 1,400 tons per year, is now under execution. The scheme, estimated to cost Rs. 21.24 lakhs, is expected to be completed in the near future. The United Nations International Children's Emergency Fund, which, together with W.H.O., helped in setting up the factory, is also providing assistance for the expansion programme. The contribution of the UNICEF in the form of plant and equipment will be worth about Rs. 13 lakhs. A second DDT factory, with an annual capacity of 1,400 tons of technical DDT, has begun trial production. Located at Alwaye in Kerala State, this factory is expected to be completed in all respects by the middle of 1958. The completion of the Alwaye project and the doubling of the capacity of the Delhi factory in the coming months will provide a fillip to the programme for control and eradication of malaria in the country. The extensive use of DDT has played an important part in reducing the incidence of malaria in India in the last few years. The current requirements for anti-malarial insecticides, will be met from indigenous production when both factories attain a production rate of four tons per day.

Manufacture of Rubber Tyre: Plans to set up two more rubber tyre factories on the West Coast of India are now nearing completion. The first factory to be set up in the new industrial estate near Kalyan, 40 miles east of Bombay, is jointly sponsored by the House of Tatas and an Italian firm, Ceat S.P.A., who are associated with a leading tyre-manufacturing firm in the U.S.A. Application for capital formation is shortly to be made to the Central Government. The authorized capital would be Rs. 4 crores and the issued capital Rs. 1.15 crores of which the Italian participation would be to the tune of three-fifths in the form of plants, machinery and structures for the factory. The balance would be raised in India and is to be underwritten by the Investment Corporation of India, a subsidiary company of Tatas. With production figures of automobiles and heavy trucks increasing according to plan, production of the two existing units, Dunlops and Firestone, has not been sufficient to meet the domestic demand. The Tata venture would have an initial capacity of 350 tons a month when the factory goes on stream sometime next year. The factory will have an ultimate capacity of 1,000 tons a month to be attained in 1961. The second

factory is proposed to be located at Kottayam, in Kerala, where India's rubber plantations are situated. A Calcutta concern has submitted plans to the Kerala Government.

Manufacture of Iron Pipes: India increased her installed capacity to manufacture spun iron pipes by about 1½ times annually when the second such pipe production plant, costing Rs. 1.40 crores, was put into commission at the Kulti work of the Indian Iron and Steel Company. The new plant is expected to save for the country an estimated Rs. 8 crores of foreign exchange annually. Built with British collaboration, the first plant, commissioned in 1945, produces 65,000 tons and the second 90,000 tons of pipes annually. The 13-year-old first plant was designed to produce pipes ranging in size from 3 inches to 12 inches in diameter and 12 feet in length. The capacity of the new plant is 16 inches to 27 inches diameter and 18 feet lengths.

TRADE

Export Quota of Madras/Mysore Silk Waste: The Government of India have decided to release a quota of 3,00,000 lbs. of Madras/Mysore silk waste for export up to the end of June, 1958. Details of the licensing procedure are being notified by the Joint Chief Controller of Imports and Exports, Madras.

Foreign Trade of India in October, 1957: The provisional figures of foreign trade of India by all routes, i.e., sea, air and land, on private and Government accounts during October 1957, according to data so far available in the Department of Commercial Intelligence and Statistics, Calcutta, are as follows: **Merchandise:** excluding transit trade of Pakistan and other overland foreign countries viz., Nepal, Tibet, Sikkim and Bhutan: Exports Rs. 52.53 crores, re-exports Rs. 1.11 crores, imports Rs. 73.08 crores; Total trade Rs. 126.72 crores. **Treasure:** Exports (including re-exports) of currency notes Rs. 41 lakhs, current coins (excluding gold coins) Rs. 1 lakh, others nil. Imports of gold Rs. 9 lakhs, currency notes Rs. 4.60 crores and current coins (excluding gold coins) Rs. 1 lakh. **Balance of Trade:** The merchandise import figures are exclusive of the value of certain consignments of Government stores awaiting adjustment. Subject to this deficiency in import figures, the total value of exports (including re-exports) of merchandise and gold fell short of imports by Rs. 19.53 crores.

Export Promotion Council for Sports Goods Set Up: An Export Promotion Council for sports goods has been set up with the support of the Government of India. The Council, which will have its headquarters in Delhi, will strive to maintain and promote the exports of different items of sports goods from India. This is the tenth in the chain of Export Promotion Councils sponsored by Government to develop export markets for Indian products and create greater awareness among Indian manufacturers and exporters of the need for export promotion in the context of the increasing requirements of foreign exchange. The Councils already in existence are those for cotton textiles, rayon and silk fabrics, plastics, engineering goods, cashew and pepper, tobacco, leather, mica and shellac. The total annual production of sports goods in India is estimated to be of the order of more than Rs. 1 crore. A small percentage of this production is exported. Sports goods industry has a considerable potentiality for earning exchange.

FINANCE

Sterling Pension Arrangement: In view of the country's present needs for foreign exchange, the Government of the United Kingdom have offered to pay on

April 1, 1958, in addition to the annual instalment of £.4 million payable by them under Sterling Pension arrangements of 1955 three more instalments in advance. This offer, which is greatly appreciated, has been accepted by the Government of India. Letters setting out the arrangement are being exchanged between the Finance Minister and the High Commissioner for the United Kingdom in India.

U.P. Sales Tax: The U.P. Sales Tax (Third Amendment) Bill, 1957, has been assented to by the President. The Bill provides for compounding sales tax on certain categories of textiles, sugar and tobacco so as to ensure quick recovery of the tax on these stocks. With the levy of additional Central Excise duties on textiles, sugar and tobacco from December 13, 1957, sales tax, on these commodities has been withdrawn. Stocks on which the additional excise duties have not been paid, will, however, continue to be assessed to sales tax.

Loans From Foreign Financial Institutions: The Income Tax Act exempts interest payable by an industrial undertaking in India on moneys borrowed by it under a loan agreement entered into with such financial institutions in any foreign country as may be approved by the Government of India by general or special order. The Union Government have approved the following three financial institutions under this provision:

1. International Finance Corporation, Washington, D.C.
2. The Export-Import Bank of Washington, Washington.
3. The Commonwealth Development Finance Co. Ltd., London.

The effect of this approval will be that interest payable on any loans granted by these three institutions to industrial undertakings in India will be exempt from Income Tax; it will not be necessary to obtain fresh Government approval in respect of each such loan.

Subsidised Industrial Housing Grants: Loans and subsidies totalling Rs. 9,48,750 were sanctioned by the Government of India during December, 1957, for the construction of 400 single-room tenements under the Subsidised Industrial Housing Scheme. The Government of Assam has been sanctioned Rs. 3,30,000, half as loan and half as subsidy, for building 100 one-room tenements at Maligaon, Gauhati. The Messrs. Birla Jute Manufacturing Co. Ltd., Satna, Madhya Pradesh will be given Rs. 6,18,750 for building 300 single-room tenements at Satna. Of the amount sanctioned, Rs. 3,71,250 will be loan and Rs. 2,47,500 subsidy. The total amount of loans and subsidies sanctioned to various States and organisations up to the end of 1957 since the inception of the scheme in September, 1952, for the construction of 90,303 tenements is Rs. 25,58,89,187.

GENERAL

Indian Industries Exhibition at Simla: For the first time in the history of Simla an Indian Industries Exhibition is being held at the huge pavilion of the Roller Skating Rink Simla from April 1, to June 2, 1958. Finish products of various industries ranging from hosiery, plastic, cosmetics, petroleum, cycle and spare parts, paper, textiles, glass, wood, sports, rubber etc. to iron and steel will be displayed. Special attention will be paid to the industries which had developed during the second Plan. Apart from the industrial stalls information and publicity stalls by the Government of India and the State Governments are also being displayed.

NEWS IN BRIEF

INDIAN

The Central Agriculture Ministry has finalized a programme for the opening of 600 co-operative farms in the country during the next financial year. It is proposed to have 3,000 such farms in operation by the end of the second Plan period.

The Government of India has decided to release a supplementary quota of onions for export by co-operative societies in Bombay State up to the end of March 1958, to all permissible destinations other than Pakistan and the Portuguese possessions in India.

Loans amounting to Rs. 1.14 crores were advanced to their members by the various co-operative societies in Delhi villages during 1957, according to a report issued recently.

The Government of India have issued a notification fixing the price of tea, for the purpose of determining the export duty, at Rs. 2.99 per lb. as against Rs. 3.02 per lb. in force from January 1, 1958. There is no change in the existing rate of duty of Naye Paise 38 per lb.

The Government of India has released a further quantity of 1,55 lakh tons sugar for free sale from 1957-58 season's production.

A draft amendment to the specification for cotton bed sheets (tentative) IS: 175-1951 has been circulated by the Indian Standards Institution for eliciting comments.

In order to deal with the increased production of coal in the Raniganj coalfields, which is expected to be to the extent of 5.7 million tons, it has been decided by the Railway Board to remodel the Ondal yard on the Eastern Railway.

The Air-India International and the Indian Airlines Corporation between them carried 309,048 passengers and flew 11,587,929 miles during the half year ending on June 30, 1957.

The total tonnage handled by Calcutta port during 1956-57 was 3,869,210 as against 8,030,735 in the previous year. There was thus an increase of 338,475 tons or about 10.44 per cent in the total trade passing through the port as compared with 1955-56.

It is reported, India will purchase some ships from France in order to increase the Indian tonnage.

The Punjab Government has decided to convert all education for the children of age group of six to eleven into basic type. Under the second Plan period, 12 new basic training schools and two new basic training colleges, will be opened in the State at an estimated cost of Rs. 37.50 lakhs.

It is reported, the World Bank's disbursement to India during 1958 might be something of the order of 150 million dollars.

Schemes for the development of small-scale industries in Orissa, Bihar, West Bengal and Assam have been approved by the Government of India. About Rs. 38 lakhs have been sanctioned by the Union Ministry of Commerce and Industry to these States for implementing the schemes.

FOREIGN

Exports of farm machinery from Britain in 1957 were the largest ever in history of the industry, and were valued at over £90,000,000 as against £70,000,000 the previous year and £1,500,000 in 1939.

It is reported employment in most countries increased slightly in 1957, the purchasing power of wages was a little higher than in earlier years and social protection for workers was extended and consolidated. Days lost through their industrial disputes approached their lowest post-war level.

The Moroccan Government has abolished the 5 per cent tax 'ad valorem' on goods exported from the Northern (formerly Spanish) zone of Morocco through the harbour of Tangier.

The United States Government has agreed to grant Nepal, food aid amounting to 20,000 tons of wheat and other food grains under "famine relief provisions".

Figures issued by Division of Mines, Lands and Surveys show that 1957 was another record year for Southern Rhodesian mines. The total value of their output rose by more than £2½ million to £25.8 million. Principal contributors to this record were asbestos (£9 million), gold (£6½ million), chrome ore (£4½ million) and coal (£3.9 million). Lithium ores added some £4,49,000 and copper £3,34,000.

The sterling reserves of the Federation of Rhodesia and Nyasaland were reduced by £47 million during 1957. At the end of the year they stood at £100 million, having shed £30 million in the final quarter of the year.

Malaya's trade surplus declined nearly 27 per cent in 1957 totalling \$M373.4 million against a surplus of \$M511 million in 1956. External trade for the year amounted to \$M3,989.4 million a drop of about ½ per cent on 1956.

According to a recently published survey, Austria's production of wood working machines in the first half of 1957 reached an overall value of 36 million schillings, as compared with 19 million schillings in the similar period of the preceding year.

It has been officially announced, that the International Netherlands Industries Fair this spring will be held from March 18 up to and including March 27. Exhibitors from 23 different countries will participate. The display space will be well over 60,000 square metres, an increase of 43 per cent over last year.

Inflation and unemployment are the major enemies facing the world's workers this year, according to the I.L.O. report.

Indonesia has announced a plan to make herself self-supporting in rice by 1960. The Government has planned to mechanise tilling from this year of 40 million hectares of land. This would be financed by foreign loans.

Splitting the atom is not the only source of chain reaction, India's immediate target for steel has a chain reaction too.

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A DELHI DIARY

IF NAPOLEON HAD WON WATERLOO

I THINK it was H. A. Fisher, the famous historian of Europe, who once wrote an essay 'If Napoleon had won Waterloo'. Imaginary history is one of the great toys of historians who work with tragic real events. It must be nice to be able to take up the raw material of one's own work and change it into something which one would like much better. As I remember in this essay Fisher (or whoever wrote the essay) reformed the great Emperor, and made him into a real humanist with no love of war, or even of the victories which come through having armed might, even when one does not fire a shot. In much the same way, one might ask had there been no Chagla Enquiry what might have been? I have no doubt that in presenting my view that if there had been no Life Insurance Enquiry Commission I shall reveal, perhaps, in Freudian manner, the anxious desire in a journalist to remould his world nearer to the heart's desire.

Supposing, for example, T.T.K., when the first question arose in Parliament on the Life Insurance Corporation (and the Investment Committee was proving restive) had placed before Parliament a full explanation of why the purchase of shares by the Life Insurance Corporation was in the national interest. After all, the Life Insurance Corporation is the largest single investor in the country and it is justified in conducting defensive war to protect its own assets. A declining market, or even a potentially declining market, is a cause for some action. Surely, Parliament would have had in debate to admit that the interests of policyholders might be so secured. The general policy of protecting the assets of the largest single investor in the country might cover purchase of shares not necessarily of "blue" chips.

NOT BLUE CHIPS ONLY

There is no statistical evidence that the share market as a whole is controlled by "blue" chips although they are frequently indicators of the average price in the market. A brilliant statistician has demonstrated to me, quite convincingly, that the correlation between the Index of Variable Dividend Securities and Tata Steel or Indian Iron is not close. If it were, the Reserve Bank (gifted with powers of simplification not vouchsafed to the Indian Statistical Institute) would have had a Variable Dividend Index composed of only two items—Indian Iron and Tata Steel. I argue, therefore, that the dispersion of purchases, like the dispersion of the Reserve Bank Index of Variable Dividend Securities, would have been a defensible and, indeed, rational proceeding whether or not there was a "drag" on the market. I find it difficult to accept the argument advanced in the Chagla Report that since there was no "drag", there was no justification of any kind for purchase. I, of course, accept the point that purchase in this particular case was rushed through with indecent haste and many irregularities, so far as the law is concerned. However, as I was saying some time ago, supposing Parliament were asked then (or now) to approve of a general policy in consultation with the Investment Committee of purchase of shares to protect the assets of the Life Insurance Corporation from monetary decline, would Parliament have granted or withheld its approval? To estimate the mind of Parliament there is (alas!) no statistical basis such as that on which the Reserve Bank of India works for the

variable dividend security index. But a political friend of mine assures me (from deep introspection) that Parliament would almost certainly approve a policy so conceived. If this is so, I argue that the Finance Minister might have obtained the approval of the Parliament at the appropriate stage to a general policy even outside "blue" chips, and there would have been no Chagla Enquiry. A cleaning process is good; but, how much better would be if we needed no cleansing!

If there had been no Waterloo, many good reputations might have been spared. This seems to me a fruitful line of thought in the future particularly now that the civil service, seeing that a single error can in the public's mind erase hundreds of splendid achievements, is in a non-decision-making frame of mind. I should add a few exceptions. A very distinguished civil servant, with whom I was conversing on Wednesday, told me that his particular mind was not greatly perturbed, for the simple reason that he had put his neck so firmly in the noose that additional nooses hanging about had no terrors for him. The only means by which one can acquire courage at this time is to put one's head firmly in the noose; thereafter one can look death in the face. This was put differently by Julius Caesar when he said: "Cowards die many times before their death. The valiant taste of death but once". It is amazing how the spectacle of the worst that can happen is not so terrible when one has been near truth. Did not G. K. Chesterton write:

The gallows in my garden, people say,
Is new and neat and adequately tall:
I tie the noose on in a knowing way
As one that knots his necktie for a ball;
But just as all the neighbours—on the wall—
Are drawing a long breath to shout 'Hurray!'
The strangest whim has seized me . . . After all
I think I will not hang myself today.

CUTTING THE DOCTORS' BILL

For civil servants in a state of some suspense likely to result "in serious illness or operations", I am happy to be able to bring news of a modern invention in economy now installed in Delhi in the form of the Delhi Medical and Nursing Home Benefits Scheme. A subscriber paying Rs. 120 for himself or Rs. 150 for himself and his wife (or vice versa) will be entitled to free consultation and treatment at Dr. Sen's Nursing Home and free consultation by a panel of consultants, (surgeons, obstetricians and gynaecologist, dermatologist, ophthalmologist and otolaryngologist), free X-ray facilities and even to free blood transfusion.

I must, however, give a warning to those gentlemen not addicted to prohibition in any acute form. The scheme does not apply "in respect of neuresthenia or mental disorder or any accident in any way attributable to chronic alcoholism." Nor, lest suicide appear an escape, does this scheme apply "to self-injury or any attempt thereat." I might say, addressing myself particularly to wives, that the scheme does not apply "for maternity more than once in three years." Is this not a strong inducement in favour of family planning?

ARGUS.

What salt means to you!



How long ago man discovered salt is lost in antiquity, but he learnt that it came from the rocks and the sea. As he realised the value of salt, he made it an article of currency and commerce.

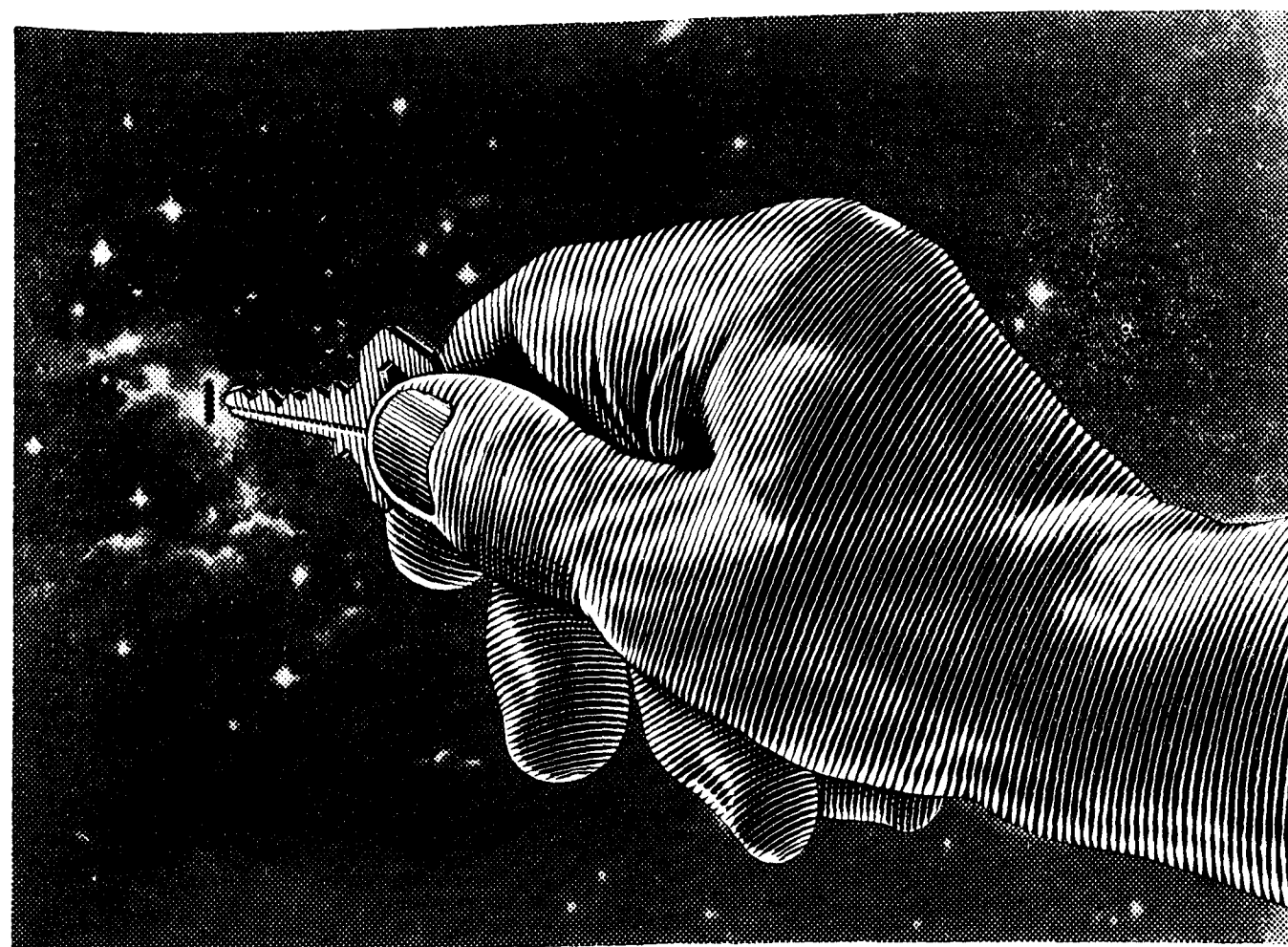
Science has gone far since then, and today it has learned to make many and varied uses of salt. Can you imagine your common salt being turned into a number of heavy chemicals, such as soda ash, caustic soda, bicarbonate of soda, magnesium chloride, bleaching powder and bromides? Can you imagine getting along without salt in the twentieth-century?

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The Business World

THE MIXED WELFARE ECONOMY

By
CROESUS

THERE has been so much talk of capitalism as it once was and capitalism as it is today, but very little about capitalism as it will be in future years. It certainly is worth speculating upon what shape capitalism of the future might take. This has, indeed, become necessary, in my opinion, after our Prime Minister's reference to capitalism. Although he talked of the capitalism of Karl Marx days as being dead as Dodo, it is significant that he spoke approvingly of capitalism in America, which he said, was of a different type. Of course, he could not be expected to dwell at length on this different capitalism in the US, nor did he have the time for it, even if he had wished to. But, I think, this task was admirably accomplished by the five-day Seminar on the American Economy, held here (Bombay) last week, under the joint auspices of the Bombay University and the US Information Service. The Seminar also provided an excellent opportunity for a fair and frank discussion on the US investments abroad and its foreign aid programme, among other subjects.

It was not as though capitalism had a field day and went unchallenged. For one could see amongst those that took part in the discussions at the Seminar quite a few ardent supporters of socialism or rather State capitalism. In fact, at the end of the five-day discussions, especially after the able summing up on the last day by Dr. Alvin Hansen, the well-known Professor of Economics at Harvard University presently teaching at Bombay University, one got the impression that it is futile to think any more of unqualified capitalism even as it is unrealistic to talk any longer of unrelieved socialism. To quote Dr. James Washington Bell, formerly Professor of Economics at North-Western University, one of the two outstanding interpreters of the American economy to participate (the other being Dr. Dexter M. Keezer, Vice-President of the McGraw Hill Publishing Co. of New York and an economist with wide experience in both Government service and the business world) "the classical 'Laissez Faire' policy of the 19th and early 20th century has now given way to what might be called a mixed welfare economy by the consent of the governed". It does not need a prophet to predict that if any economy has a future, it is this type of economy. In other words, the coming generations will hear less and less of either capitalism or socialism and more and more of mixed economy, a mixed economy in which there will be no wasteful wrangle over the role, or the extent of the role of either sectors—the private and the public—as the respective roles will be determined by the governed themselves. One cannot, therefore, improve upon Dr. Bell's description of this type of economy as "the mixed welfare economy by the consent of the governed".

After arriving at the conclusion first thus, I am bound to explain to the readers of this column as to how or why I have come to this conclusion. By way of an answer to this, I need only draw attention to the mainsprings of the US economic progress and the achievements of free enterprise in the US. Dr. Keezer summed up the mainsprings of the American economic progress as "a growing population with broad access to educational opportunities, a geographically large and populous market area free from trade barriers, the presence of many incentives to hard work, save and

invest in capital equipment, and the widespread pursuit of venturesome private enterprise", and declared that "the phenomenal growth of the American economy was almost entirely the result of voluntary private enterprise, although there was a sizeable segment under public control". He claimed that, over the years, this competitive free enterprise system had resulted in the production of something like 40 per cent of the world's total output of goods by only six per cent of the world's population. It is again under this system that there is a large measure of material comfort for everyone. Dr. Keezer also pointed out that these results were possible because there were abundant natural resources and the Government promoted economic development through private enterprise. Dr. Bell stressed the further important point that "the successful business man and entrepreneur enjoyed a prestige in the United States equal to or higher than any other category of occupation."

What struck one most was that, despite all this transformation, the Americans do not feel that everything has been accomplished in the US and nothing remains to be done. On the contrary, Dr. Hansen said that while American economic growth in the last decades had been phenomenal, there were several areas of "unfinished business", including education and even housing, let alone a host of problems arising out of a very rapid pace of urbanisation (which, incidentally, this eminent economist did not seem to like very much). Presumably, although he did not say this in so many words, Dr. Hansen feels that all that still remains to be done will be accomplished by the New Deal Philosophy of welfare economy as reorientated by the Eisenhower Administration, as he put it, or by the "mixed welfare economy by the consent of the governed", as Dr. Bell summed it up.

The Seminar discussions gave one an objective and comprehensive picture of the US economy, but, at the same time, they seemed to me also to pose the question: "why can't we do the job in India?" For the similarities are more striking than the dissimilarities. It is obvious we cannot copy the American way wholesale, but we can at least study and profit by emulating those things and pragmatic approach in dealing with private sector. I think it was Dr. Keezer who said: "We leave it to private enterprise until it is clearly established that it cannot do the job". But our approach in this country seems to be just the opposite "we leave it to the public sector until it is clearly established that it cannot do the job". Here is a typically Indian intriguing intermixture of divergence and similarity. Both America and India believe in mixed economy, with the State and the entrepreneur each playing their role, but, while in America, the role of the State is determined by general consent and only after private enterprise is proved to be not up to a given task, the powers-that-be in this country decide the role of private enterprise, more out of pre-conceived notions, and only after costly and at times futile experiments by the public sector. Cannot we reconcile ourselves to the idea, as the Americans have done, of respecting private enterprise without denying a respectable role to public enterprise?

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BUSINESS NOTES**SOME ISSUES OF MINERAL POLICY**

WHILE MINERAL policy is being reformed with a view to providing the much-needed dynamism to the production of minerals, it is essential that the views of the industry should be given the weight which they undoubtedly deserve. Mr. D. Hogg, Chairman of the Indian Mining Association, has some very useful and constructive suggestions to make in this behalf. In his speech at the annual dinner of the Mining, Geological and Metallurgical Institute of India on February 8 last, Mr. Hogg drew attention particularly to two important policy issues which have a vital bearing on the coal mining industry and the export trade in manganese ore.

Mr. Hogg has pleaded, probably at an opportune moment, for careful thought to be given to the question of the future of the rates of royalty payable on coal. He has emphasized that the entire economy of the coal mining units is based on the terms of the leases which they hold in carrying out their mining operations. Any changes in the adverse direction in the terms of leases would have important repercussions not only on the industry as a whole but also on a wide range of manufacturing industries which depend on coal as the major source of fuel. The distinction between the impact of changes in the rates of royalty and rates of taxes which he has made bears quotation: "It must also be appreciated that there is a considerable difference between royalty and tax. Royalty is a fixed charge for the privilege of exploiting natural resources and is an item in the cost of production. If the rate of royalty is increased by statute without any increase in the value or quantity of the natural resources available to the lessee, it amounts to an arbitrary imposition on what might be a practically a fixed gross income. If the rate of production increases, a larger total amount of royalty is paid irrespective of whether profits increase or fall. Tax, on the other hand, is based on earned income and varies according to profits. In other words, the basis of tax is the actual earning capacity whereas the basis of royalty is circumstantial." In view of this sharp distinction which impinges on the financial structure of the industry, his plea for not enhancing the existing rates of royalty on coal under the new Mines and Minerals (Regulation and Development) Act, 1957, gathers considerable force.

Recent experience in export promotion has amply shown that in the short run at least we have to place added emphasis on the exports of ores. It will be recalled that the export of manganese ores has received a set-back for some time now. Partly it is attributable to the reduced demand from the United States following the temporary decline in steel production in that country. But it cannot be denied that there are other important contributory causes. One of these was the high export duty imposed on manganese ores. Quite recently, the export duty has been abolished on ores with a moisture-free manganese content of less than 42 per cent and it has been reduced to Rs. 10 per ton where the manganese content is between 42 per cent and 44 per cent. This action has been influenced by the slump in the trade. Nevertheless, Mr. Hogg has pointed out that there is another factor which is important from the long-term point of view. He has stated that the channelling of a substantial part of manganese exports through the State Trading Corporation has had an adverse effect on our established markets which are now turning to other sources of supply, at least partially. His contention is that the importing countries are averse to dealing with monopolistic State-owned bodies. They prefer direct import contracts with mine-owners which give them the superior advantage of putting the responsibility for quality of the goods squarely on the

exporter. This observation about the adverse effect of the intervention of the State Trading Corporation in this export trade is certainly serious. But it comes from a quarter which deserves careful attention and is obviously made with a full sense of responsibility. It is of the utmost importance that it should be examined objectively.

PROGRESS OF CEMENT DEVELOPMENT

IT WAS in the fitness of things that the progress of the expansion of the cement industry should claim prominence in the deliberations of the Standing Committee of the Central Advisory Council of Industries which met here on Monday this week. The position in respect of the supply of cement had become tight necessitating imports and strict rationing. Latterly, however, it has eased. The improvement in the supply position is due to higher domestic output and a slackening in the demand in the public sector as a result of slowing down of some of its development projects.

It was obvious that the temporary easing of pressure of demand could not be taken as a factor necessitating adjustment in the target. The public sector's demand is bound to pick up sooner rather than later and furthermore road-building programmes are likely to make a larger demand for cement as their implementation gathers speed. Information placed before the Standing Committee shows that schemes for setting up 26 new cement factories and for expanding 29 existing factories have been approved. Assuming that the approved schemes are carried out in toto, the installed capacity will be raised by 1960-61 to the level of 15.3 million tons per year in the aggregate. This will be somewhat below the target of 16 million tons assigned in the Plan for the end of March 1961. On present firm estimates, installed capacity will reach the target of 10.5 million tons by the end of the calendar year 1959. These estimates are based on the sanctions already granted in respect of foreign exchange for the import of the required capital equipment. This means that 5.5 million tons of installed capacity will have to be provided for in addition. The discussions of the Standing Committee reveal that the issue was raised whether there was likely to be a decline in demand necessitating reduction in the target of installed capacity. There is no warrant at present to assume that demand would drop down. Unless the Plan is rephased and the postponed projects turn out to be those which account for a good deal of the anticipated demand for cement, the present target will hold good.

This target, however, raises two problems which ought to be faced squarely. In the first place, the balance of capacity of the order of 5.5 million tons which is not provided for with all the resources will require first and foremost adequate foreign exchange. This question will, of course, need to be tackled at the appropriate time. A discussion at this stage will be but academic. The second problem which was not touched during these deliberations is that of railway transport facilities. It will be recalled that although the capacity target is fixed at 16 million tons, actual production will be required around 13 million tons. The additional capacity may be pressed into service at short notice, if required. But the railway development programme, on present estimates, can provide transport capacity for 9 million tons of cement. It has been emphasized in the Plan that production in excess of 9 million tons should be so arranged as to put the minimum strain on the railways. How this desirable objective is to be achieved, it is difficult to say. The location of cement factories will perforce be determined by the availability of raw materials among other resources. In the next place, and this is important,

practically all the development programmes will require varying quantities of cement. The distribution of cement will be spread over long distances. The question of provision of transport facility hardly admits of any alternative course.

EXPANDING SMALL INDUSTRIES

FROM TIME to time the Ford Foundation has been giving aid to India. This aid has been of considerable help to India in implementing her development programmes. The recent allotment to the tune of 2.16 million dollars is far expanding and development of the small-scale industries. Since the small industries are labour-intensive and of importance in the country's developing economy, the amount of aid for their revitalisation is quite timely. The money received will be mainly used to build up a countrywide network of Small Industries Service Institutes and Industrial Extension Centres, a programme being executed by the Ministry of Commerce and Industry. Part of the grant is to be used for the services of foreign technicians and consultants for these small industries programmes and for conducting experiments with certain new products for manufacture by small industries. Under the grant programme, machinery and equipment of a total value of 1.28 million dollars will be supplied for the four Regional Service Institutes already set up in Delhi, Bombay, Calcutta and Madras, for the 14 Service Institutes in different States and for 60 Extension Training Centres in industrial towns. Equipment will also be provided for two of the 17 Training Centres proposed to be set up to provide employment to the educated unemployed.

A new feature of this grant programme would be the establishment of an Evaluation Organisation to study the impact of development programmes on small industries. This is a welcome development as such an organisation would be quite useful to review the progress and problems of small industries objectively and to make necessary adjustments in their programmes. Not only would there be undertaken an analysis of market and general economic conditions, but the potentialities of a particular area would also be assessed in a most objective way. The availability of technicians from Scandinavia and Europe would help us to adopt the latest techniques for the promotion of small-scale industries. The foreign technicians would also be helpful in training personnel in the use of new equipment. The providing of improved methods would enable to better the qualities of the industry's products and improve employment prospects.

SETTLING INDUSTRIAL DISPUTES

WHAT SHOULD be the approach towards the settlement of industrial disputes was recently a subject of discussion at a symposium organized by the Indian Institute of Personnel Management. A view was put forward by Mr. V. V. Giri that so long as there was compulsory adjudication in the Statute Book, there could never be amicable settlement of industrial disputes. A similar feeling was voiced by Sir A. Ramaswami Mudaliar who commended the Gandhian principle of negotiations and arbitration for settling disputes while inaugurating the fourth Management Conference organized by the Ahmedabad Textile Industry's Research Association. He was of the view that resort to litigation was a bad thing. It did not ensure happy relations which were essential for the progress of the industries.

There is no doubt that this is an ideal line of approach to the question of industrial relations, but the realities of the situation demand that we will have to proceed cautiously in putting an end to the adjudication procedure. It is recognised that the state of industrial legislation is not what it should be, but that is all the more a powerful reason for improving the working of law in labour disputes. The position visualised by Mr. V. V. Giri presupposes the existence of well-deve-

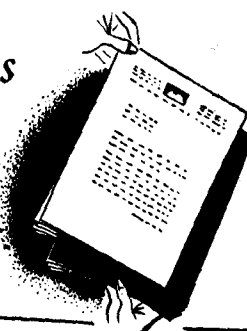
loped and healthy trade unions. The fact, however, remains that the trade union movement in India is still weak and has yet to reach a stage of maturity. With divisions in union ranks, it has been often found that the talks have proved abortive. Under the circumstances, the need for compulsory adjudication is considered to be a practical approach. The proposition that after compulsory adjudication is abolished, the parties will be bound to settle these disputes amicably presumes much. In order that workers may be able to understand the intricacies of the problems and manage their own interests it is essential that the trade union movement in this country be strengthened further and the workers education given a greater fillip. Excessive resort to litigation is harmful to industrial relations. Amicable relations are best maintained when the parties try to see each other's point of view and reach agreement or voluntarily submit to arbitration. A suggestion for the settlement of industrial disputes as advocated by Mr. V. V. Giri could, however, be given a trial on the British model of 'industrial courts' where the decisions of such courts are not legally binding, but rely for their acceptance on the weight of public opinion behind them.

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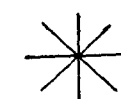


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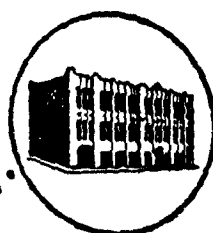
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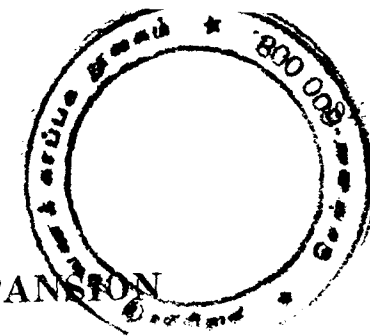
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Economic Report from the U. S.

BRIGHT PROSPECTS FOR EXPANSION

(By GUY SIMS FITCH)

WASHINGTON, Feb. 12.—Amid all the talk about the nation's economy and how exactly the current downturn will end, one constant and entirely different refrain runs through the varied assertions of the nation's economists. It is that over the long run, expansion remains the dominant prospect for the United States and inflation the primary threat. This assessment stems from two sources. One is the statistical history of the US economy; the other is a potent combination of factors which undoubtedly will be influencing US economic activity for some time to come.

The record shows that US economy—figured in terms of the total output of goods and services in constant prices—has undergone a real expansion of 44 per cent since 1946, or 3.38 per cent a year. This is a highly commendable pace, particularly when it is considered that the economy is so large that even a small percentage increase means a substantial rise in absolute output. Aside from the statistical evidence of long-range growth, there are other reasons for believing that the economy will continue its steady, long-term expansion.

Here is the way many experts view the situation: "It is true that a number of ingredients of the post-war expansion—such as automobiles, television sets and homes—have long ceased to be in short supply, and the capacity to produce them is for the time being adequate. But it also is true that there are many products for which demand is bound to keep growing, and has yet to reach its full potential. Among these

are phonographers, air conditioners, boating equipment and numberless others, including a great many that have yet to reach the consumer market. In addition, the economic expansion of the last decade has by its very nature created requirements for new facilities and services of all kinds. With the 100 per cent rise in automobile ownership, for instance, has come a tremendous need for new roads; with 13 million new homes has come growing demand for such enlarged public services as new and expanded water and sewage facilities and with the great increase in home appliances has come a remarkable growth of service trades.

These expansionary pressures may be a little different from those that have made the past decade the most prosperous in US history. But they should prove to be just as strong, and to them must be added the invigorating force of population growth, which will in itself constitute a strong stimulant for even more goods and services, both old and new. Hence emphasis is now being placed on expansion, without inviting excesses of inflation. For the current downturn will end sooner or later—most likely well before the end of this year. And the basic problem will remain—to keep the US economy growing at an acceptable rate while avoiding inflationary excesses which could render growth at least partially fictitious and undermine long-term stability. This is no easy task, but the post-war US economic record, with its remarkable real growth and minimum of disruptive fluctuations, demonstrates that it can be accomplished.

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(SOUTH INDIA)

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COMPANY AFFAIRS

THE CENTRAL INDIA SPG. & WVG. COMPANY

The Central India Spinning, Weaving and Manufacturing Company Ltd. has reported a loss of Rs. 20,79,433 for the year ended June 30, 1957 as compared with a profit of Rs. 37,631 for the previous year. This loss has been adjusted by transferring from the Reserve fund a sum of Rs. 20,66,218 the balance being accounted for by the amount carried forward from the previous year of Rs. 13,215. In view of this, while the shareholders do not get any dividend on ordinary or preference shares for the year under review, the Managing Agents have had to forgo even their minimum commission, to which they are entitled, of Rs. 50,000.

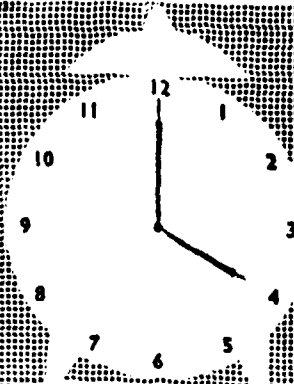
According to the directors, the principal reasons, accounting for this unsatisfactory working of the Company and the heavy loss during the year under review were "the considerable disruption and dislocation of normal working caused by the large-scale renovation programme still in progress, the continued depressed state of the cloth market, and the increase in labour costs".

Referring to their renovation programme the directors state: "In order to put the Mills on a remunerative basis, the Directors, after considering alternative schemes, have embarked on an extensive renovation and rehabilitation programme which will cost approximately Rs. 2,03,00,000. The programme involves the complete scrapping of Mills Nos. 1 and 2 with the exception of the preparatory equipment of Mill No. 1 and 456 looms of Mill No. 2 which are serviceable and have been retained. In accordance with this decision, Mill No. 1 was demolished and the very old and worn out machinery and motors, and other miscellaneous equipment were sold. In substitution of these two units, a new unit is being erected with up-to-date lighting, humidification, and other equipment. This unit will be equipped with 49,712 spindles and 704 looms, a considerable portion of which has already been received at site and is under erection. Simultaneously, extension to Mill No. 3 which is a wholly spinning unit equipped with 31,408 spindles, is being carried out to house 456 looms. The number of spindles in this unit will be reduced from 31,408 to 29,656. The renovation programme has put an enormous burden on the financial and managerial resources of the Company. Out of the planned outlay of Rs. 2,03,00,000 about Rs. 85,00,000 have already been expended all out of the internal resources of the Company and by resort to short-term borrowings, in anticipation of receiving a large loan from the National Industrial Development Corporation (Private) Ltd. Additional heavy commitments have been entered into to purchase the balance of plant and equipment to complete the programme."

As regards the continued depressed state of cloth market the directors observe. "Trading conditions were normal up to August 1956 with sustained demand for cloth at fairly remunerative prices. From September 1, onwards, however, the steep rise in excise duty accompanied by other government measures such as the extensive publication in newspapers of what were described as fair retail prices and credit restrictions to prevent hoarding of cloth bought about a precipitate fall both in demand and prices for cloth. This resulted in a substantial increase in cloth stocks entailing heavy interest on insurance charges. Under such adverse trading circumstances stock had to be disposed off at very low prices and rebates had to be offered to induce traders to lift sold stocks".

It seems from the Report that the Company will not be getting all the Rs. 1 crore and Rs. 50 lakhs of loan for which it had applied to the N.I.D.C. for financing the Plan for rehabilitation and renovating the mills. In fact, the directors state that the actual amount of the loan to be granted will be substantially reduced. Accordingly, alternative arrangement for raising the additional finance required are stated to be under consideration.

In addition to the comprehensive scheme of expansion referred to already, the Company has also incurred a further capital expenditure of about Rs. 7 lakhs in connection with a stentering and dyeing range, two finishing ranges, a cloth conditioning machine and additional tractors and trailers. The value of new plant and equipment actually installed during the year under review amounted to Rs. 2½ lakhs, while plant and equipment awaiting installation is valued at Rs. 71 lakhs. The new construction work so far completed has cost Rs. 29 lakhs. The year was also notable for the disposal of all the five old ginning and pressing factories of the Company for an aggregate sum of Rs. 6½ lakhs.

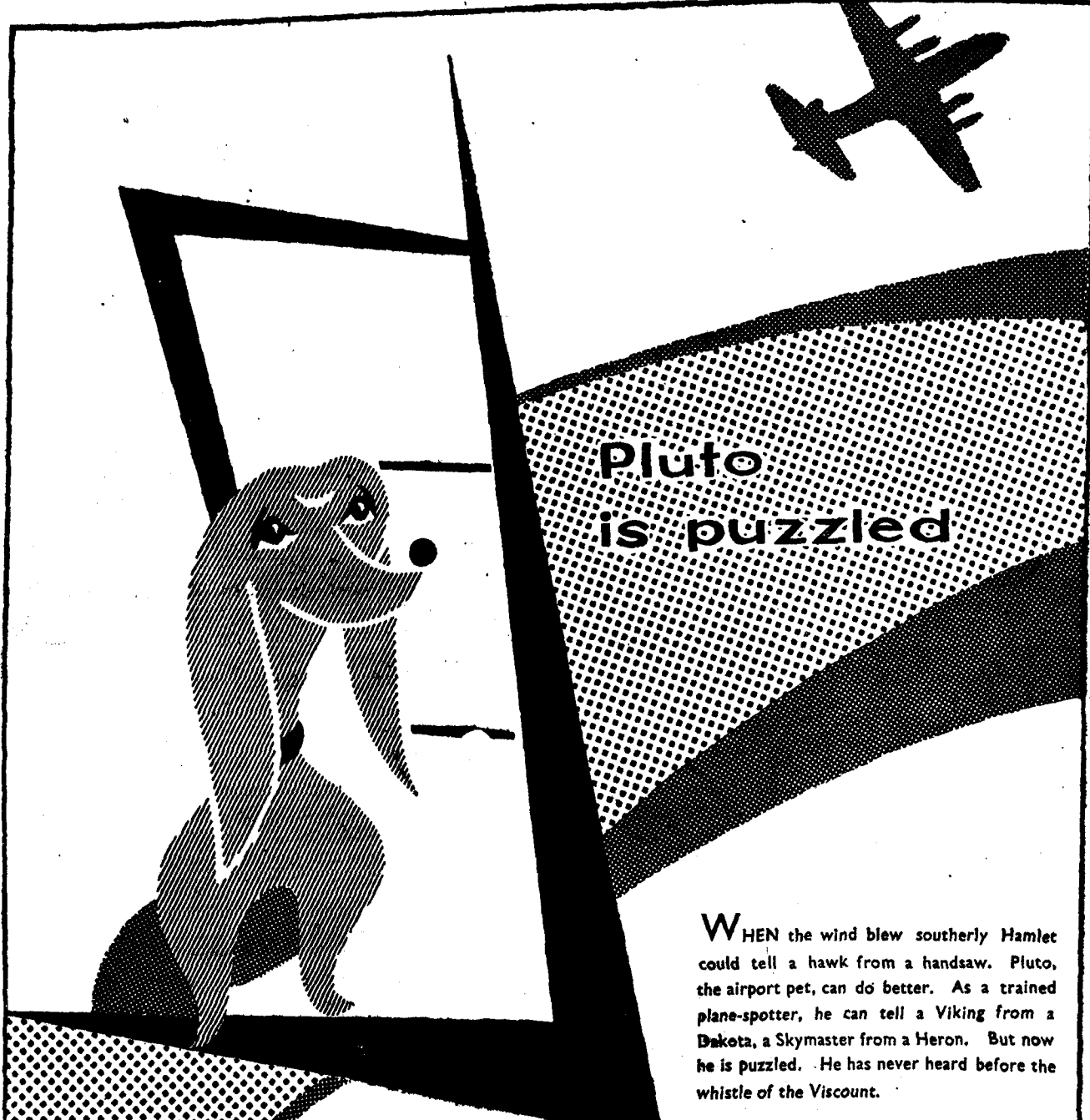


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I am
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worst and best
moments

PSY 183 



Pluto
is puzzled

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 **INDIAN AIRLINES CORPORATION**

COMMODITY NEWS AND NOTES

GREATER VALUE OF MINERALS PRODUCED IN FIRST HALF OF 1957

The value of minerals produced during the first half of 1957 was over Rs. 57 crores as against Rs. 53 crores in the corresponding period of 1956, according to the Indian Bureau of Mines. The increase, says the latest publication by the Bureau on the mineral production in India, is the result of higher production of the higher prices of manganese ore during the period. Coal, with an output of 21.6 million tons, was the leading commodity. The output represented an increase of nearly 2 million tons in comparison with the output during the first half of the last year. Other minerals responsible for increased production were manganese ore Rs. 6.9 crores; salt Rs. 6.1 crores; gold Rs. 2.5 crores; iron ore Rs. 2.1 crores; mica Rs. 1.9 crores; copper ore Rs. 1.5 crores and ilmenite Rs. 0.8 crores. The quantity index of mineral production stood at 104.2 during the period (base—first half of 1956=100).

PRODUCTION OF MANGANESE ORE DURING QUARTER ENDING SEPTEMBER 1957

Production of manganese ore in India during the quarter ending September, 1957 was 306,000 tons, according to the Indian Bureau of Mines. Among the producing states, Bombay and Orissa each accounted for 82,000 tons, Madhya Pradesh 60,000 tons, Andhra Pradesh 40,000 tons and Mysore 35,000 tons.

PRODUCTION OF MICA IN INDIA

The production of crude mica in India during the quarter ending September, 1957 was 130,547 Cwts. as against 125,445 Cwts. in the corresponding period of the previous year, according to the Indian Bureau of Mines. Bihar, which is the leading producer of mica, accounted for 69,990 Cwts. while output from Rajasthan and Andhra, the other major producing States was 34,840 Cwts. and 23,560 Cwts. respectively.

The production of crude mica during the period January—September stood at 441,142 Cwts. showing an increase of 16,807 Cwts. compared with the production in the corresponding period of 1956. As a result of dressing, 13,323 Cwts. of sickle-dressed blocks and 2,098 Cwts. of chillas were recovered by the mine owners in the quarter ending September, 1957 compared with 24,486 Cwts. of sickle-dressed blocks and 2,544 Cwts. of chillas during the same period last year.

STANDARD FOR GREY COTTON YARN

A draft amendment to the specification for cotton yarn, grey (tentative) IS: 171-1951 has been circulated by the Indian Standards Institution for eliciting comments. IS: 171-1951 prescribes count-lea-strength product of cotton yarn, grey, of 8s. to 80s. counts intended for use in weaving mills. It was found that for certain special requirements, such as for army stores, etc., yarn with better count-lea-strength product would be necessary. The amendment to the standard is in regard to the provision of one additional count-lea strength product for cotton yarn of counts 10s., 12s., 14s., 16s., 18s., and 20s. Comments on this draft amendment may be sent before February 20, 1958 to the Indian Standards Institution, Manak Bhavan, 9 Mathura Road, New Delhi-1.

EXPORT DUTIES ON MANGANESE ORE

In accordance with their policy of reviewing export duties from time to time, the Government of India have reviewed the export duties on manganese ore and have decided to abolish, with immediate effect, the export duty on manganese ore in which the manganese content expressed as metal, calculated as percentage of the moisture-free ore, is below 42 per cent. Government have also decided to reduce the existing duty on such manganese ore in which the manganese content is 42 per cent and above, but does not exceed 44 per cent, to Rs. 10 per ton.

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CURRENT STATISTICS

INDEX NUMBER OF WHOLESALE PRICES

(Base: 1952-53=100)

		Food articles	Liquor & Tobacco	Fuel Power Light & Lubricant	Industrial Raw materials	Manufactures			All Commo- dities
						Inter- mediate Products	Finished Products	Total	
1953-54	..	108.7	98.6	99.2	109.7	98.5	99.0	98.9	104.5
1954-55	..	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.6
1955-56	..	86.6	81.0	95.0	99.1	100.1	99.6	99.7	92.4
1956-57	..	102.2	84.3	104.1	116.0	110.9	105.5	106.2	105.2
July 1957	..	111.3	93.7	114.0	121.6	108.6	108.8	108.8	111.9
August	..	112.1	92.1	114.7	120.1	108.2	108.6	108.6	112.0
September	..	108.5	93.7	114.5	115.4	107.3	108.9	108.6	109.5
October	..	107.2	95.0	114.5	114.8	106.7	109.1	108.6	108.8
November	..	107.9	96.5	115.0	116.0	106.0	108.8	108.4	109.3
December	..	104.0	97.5	114.9	115.4	105.7	107.8	107.5	107.0
January 1958	..	102.6	96.8	114.4	113.6	106.7	107.7	107.5	105.9
Week Ended 28-12-1957	..	102.9	97.3	114.8	114.8	105.6	107.7	107.4	106.3
4-1-1958	..	102.9	98.1	114.7	114.1	106.8	107.7	107.5	106.2
11-1-1958	..	102.6	96.9	114.4	114.3	106.6	107.5	107.4	106.0
18-1-1958	..	102.5	96.1	114.4	113.7	106.8	107.8	107.7	105.9
25-1-1958	..	102.2	96.0	114.2	112.7	106.6	107.6	107.5	105.6

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

period	Bombay			Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934 = 100	Ahmeda- bad July 1927 = 100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936 = 100	Ludh- iana†	Jamshed pur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	322	164	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	138
1951	314	330	261	142	370	461	391	168	334	167	160	144
1952	321	337	260	143	351	441	380	150	330	161	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	218	130	321	371	364	133	321	134	135	132
1956	336	352	244	142	347	424	397	151	356	152	146	145
1957	352	368	259	150	—	448	—	162	375	157	158	152
1957 March	339	355	254	151	348	433	414	158	367	158	148	148
April	339	355	256	148	345	427	415	162	369	161	152	148
May	346	362	257	151	352	441	420	163	369	157	156	150
June	352	368	259	152	371	446	423	168	373	159	156	153
July	358	374	263	152	371	459	424	165	375	159	164	155
August	359	375	265	155	375	468	427	163	373	157	166	156
September	357	373	262	149	378	464	426	160	372	156	167	156
October	356	372	260	149	375	461	429	162	375	155	166	153
November	365	383	265	148	378	457	431	165	391	156	168	156
December	365	383	257	145	—	443	—	165	390	154	166	157
1958 January	—	—	—	144	—	434	—	—	387	—	—	—

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	7-2-1958			31-1-1958			24-1-1958			17-1-1958		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola)	112.94	112.31	112.59	112.19	110.87	111.39	111.19	110.31	110.83	110.72	109.28	109.99
Silver (per 100 fine tolas)	189.06	187.44	188.28	188.56	186.94	187.72	189.19	187.44	188.19	188.00	186.69	187.37

February 14, 1958.

THE EASTERN ECONOMIST

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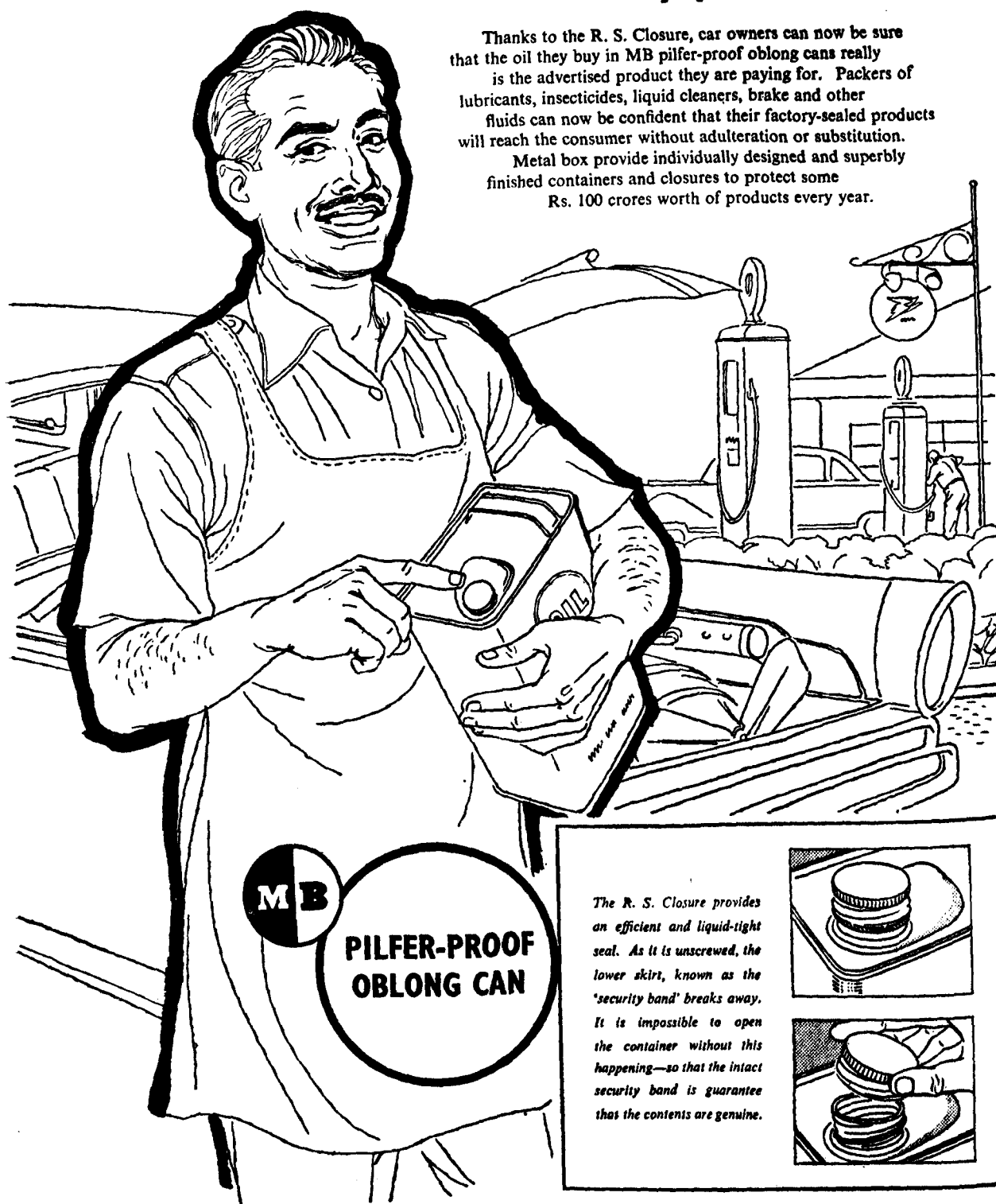
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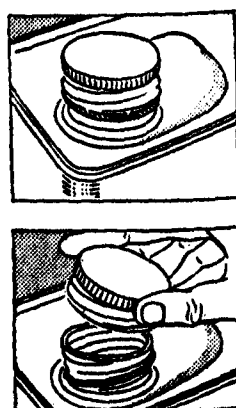
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RESERVE BANK OF INDIA ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSET					
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Total Assets
1938-39 ..	182,36	28,28	210,64	44,42	66,95	111,37	52.91	67,11	210,64
1948-49 ..	1,231,84	22,02	1,253,86	42,49	907,47	949,96	75.43	42,96	1,253,86
	(5,58)	(—)	(5,58)					(90)	(5,58)
1949-50 ..	1,128,94	24,00	1,152,94	40,02	647,04	687,06	59.59	59,53	1,152,94
1950-51 ..	1,163,21	17,19	1,180,40	40,02	624,70	664,72	56.31	57,21	1,180,40
1951-52 ..	1,189,84	27,78	1,217,62	40,02	625,27	665,29	54.64	63,98	1,217,62
1952-53 ..	1,114,84	27,87	1,142,72	40,02	604,02	644,04	56.39	60,22	1,142,72
1953-54 ..	1,133,95	23,03	1,156,97	40,02	594,02	634,04	54.80	62,83	1,156,97
1954-55 ..	1,196,19	22,98	1,219,18	40,02	648,81	688,83	56.58	102,26	1,220,18
1955-56 ..	1,339,39	17,08	1,356,47	40,02	656,52	696,54	51.35	106,87	1,366,47
1956-57 ..	1,475,77	18,75	1,494,52	44,42	545,61	590,03	39.95	115,61	1,494,52
				(117,76)		(663,37)	(44.37)		
Average of Fridays									
May 1957 ..	1,582,22	17,53	1,599,75	117,76	412,52	530,28	33.35	125,60	1,599,75
June ..	1,567,48	29,03	1,596,51	117,76	412,52	530,28	33.28	125,17	1,596,51
July ..	1,527,79	34,84	1,562,62	117,76	406,52	524,28	33.55	127,54	1,562,63
August ..	1,495,65	30,71	1,526,37	117,76	389,52	507,28	33.22	131,22	1,526,37
September ..	1,477,66	36,41	1,514,07	117,76	338,60	456,36	30.14	133,82	1,514,07
October ..	1,487,74	26,43	1,514,17	117,76	317,92	435,68	28.78	133,92	1,514,17
November ..	1,481,61	32,86	1,514,47	117,76	293,14	410,90	27.13	134,22	1,514,47
December ..	1,508,32	14,69	1,523,01	117,76	278,95	396,71	25.28	132,76	1,523,01
January 1958 ..	1,533,77	13,77	1,547,54	117,76	256,42	374,18	24.18	131,41	1,547,54
Week Ending									
17-1-1958 ..	1,540,25	10,76	1,551,01	117,76	245,54	363,30	23.42	130,89	1,551,01
24-1-1958 ..	1,533,63	18,04	1,551,67	117,76	245,54	363,30	23.41	131,55	1,551,67
31-1-1958 ..	1,531,20	20,72	1,551,92	117,76	245,54	363,30	23.41	131,80	1,551,92
7-2-1958 ..	1,558,63	11,01	1,569,64	117,76	245,54	363,30	23.15	129,52	1,569,64

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS					Other Liabilities†	TOTAL LIABILITIES & ASSETS**	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad §	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Banks	Others	Total									
1938-39 ..	14,90	..	16,19	75	31,84	1,28	43,12	28,38	1,53	4,21	1,72	2	6,36	90
1948-49 ..	222,17	16,93	80,63	56,52	393,72	15,33	419,05	22,12	4,28	307,78	1,71	3,34	75,65	4,14
	(14,33)	(3,04)									(1)			
1949-50 ..	141,19	23,12	67,00	64,39	295,69	15,76	321,45	24,12	4,30	280,91	3,35	8,39	980,54	4,34
1950-51 ..	148,60	17,71	62,22	62,29	290,82	18,14	318,97	17,31	3,04	107,70	2,37	6,77	78,72	5,06
1951-52 ..	181,30	15,95	58,68	69,22	325,15	18,62	353,77	27,92	6,31	187,14	5,90	18,42	95,19	11,91
1952-53 ..	136,40	7,79	52,89	61,93	259,02	23,69	292,71	28,03	6,64	133,56	2,85	19,03	89,77	12,83
1953-54 ..	105,44	23,40	46,52	57,45	232,80	23,91	266,72	23,22	9,46	123,31	1,78	19,84	81,58	7,51
1954-55 ..	89,13	20,68	55,20	36,29	201,28	23,62	234,90	23,24	6,10	87,53	1,14	26,55	80,52	9,82
1955-56 ..	60,11	19,85	53,77	18,31	152,04	35,69	197,64	17,21	9,78	66,96	1,73	36,99	49,36	15,61
1956-57 ..	57,52	14,10	52,46	19,73	143,81	91,21	245,02	18,91	5,69	64,77	4,89	85,34	51,82	13,60
Average of Fridays														
May 1957 ..	52,80	4,38	63,37	83,53	204,18	162,64	366,82	17,67	4,45	64,50	18,91	111,31	136,35	13,62
June ..	53,09	3,29	71,77	112,40	240,55	153,86	404,41	29,16	3,82	46,96	24,53	98,02	186,36	13,57
July ..	53,64	2,79	86,56	149,28	292,27	45,01	422,28	34,97	3,10	29,21	26,99	74,82	241,04	12,15
August ..	65,46	7,40	90,60	126,86	290,31	46,20	421,51	30,84	3,38	20,94	31,46	81,90	244,49	8,49
September ..	51,52	7,96	101,67	110,31	271,46	49,15	405,61	36,54	5,99	27,32	42,90	68,80	211,07	12,99
October ..	51,93	7,91	98,04	112,25	269,12	56,59	410,71	26,53	3,04	18,34	49,26	72,21	223,35	17,98
November ..	52,89	8,94	104,79	110,91	277,53	58,08	420,59	33,00	2,28	24,37	41,23	58,22	244,15	17,35
December ..	57,64	8,22	76,00	115,07	256,94	58,52	399,46	14,80	4,78	24,38	36,07	55,13	243,08	16,22
January 1958 ..	54,97	21,36	68,29	114,61	259,22	72,24	416,46	13,88	2,83	31,49	35,40	68,03	248,17	16,67
Week Ending														
17-1-1958 ..	52,11	31,35	65,20	115,83	264,49	87,47	436,96	10,87	4,06	42,20	35,37	72,36	255,43	16,63
24-1-1958 ..	62,43	23,85	73,84	112,63	272,75	72,06	429,80	18,16	1,97	39,89	36,37	61,64	255,07	16,71
31-1-1958 ..	58,13	27,34	75,73	113,21	274,41	73,47	432,88	20,84	1,22	37,75	36,04	65,27	254,72	17,03
7-2-1958 ..	57,52	13,12	71,92	113,57	256,13	70,38	411,50	11,07	2,16	35,42	40,62	71,76	233,12	16,34

* Average of Fridays. ** Includes (i) paid-up capital of Rs. 5 crores and (ii) reserve fund of Rs. 5 crores up to June 28, 1957 and of Rs. 80 crores from July 5, 1957. † Includes National Agricultural Credit (Long-term Operations) Fund of Rs. 15 crores from July 6, 1956 and of Rs. 20 crores from July 5, 1957 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 2 crores from July 5, 1957. § Includes cash and short-term securities. Figures in brackets refer to Pakistan. NOTE: The Gold Reserve of Issue Dept. are revalued at Rs. 62.50 per tola from Oct. 6, 1956.

THE REVISED INDEX OF INDUSTRIAL PRODUCTION
(1951=100)

Year and month	General Index	Coal	Cotton Textiles			Jute	Chemicals	Cement	Iron and Steel	Gen.* Engineering	Paper	Sugar	Tea	Electricity	
			Total	Yarn	Cloth										
		2	3	4	5	6	7	8	9	10	11	12	13	14	
1952	..	103.6	105.6	102.3	103.0	102.0	107.6	117.9	110.7	102.2	92.8	104.2	134.0	98.6	104.5
1953	..	105.6	104.5	100.1	108.4	109.5	101.1	130.0	118.3	95.7	108.9	105.9	115.8	96.7	113.1
1954	..	112.9	107.2	110.9	113.5	109.5	107.3	141.1	137.6	113.2	151.9	117.7	97.4	102.0	127.0
1955	..	122.1	111.4	111.9	117.3	109.2	118.0	159.0	140.4	113.3	183.3	140.2	143.0	106.2	131.2
1956	..	133.0	114.9	117.5	122.0	115.2	127.3	171.1	154.2	119.4	218.1	140.6	175.1	106.0	164.1
March 1957	..	128.6	115.7	111.0	115.2	108.9	135.6	162.7	153.1	121.5	207.3	141.9	151.3	97.0	160.9
April	..	134.8	114.6	115.2	118.6	113.5	132.3	165.0	150.8	116.6	207.4	143.4	294.3	84.0	162.3
May	..	151.9	114.1	118.6	118.1	118.8	138.6	161.7	154.4	108.7	213.4	147.4	601.3	111.4	166.1
June	..	209.3	113.6	121.7	123.7	120.7	139.7	177.2	158.4	109.9	220.8	145.5	1,664.4	116.5	165.5
July	..	153.1	108.9	122.3	126.2	120.3	129.4	167.1	146.1	121.7	220.2	149.9	590.2	124.8	160.5
August	..	133.2	113.8	111.9	120.7	112.0	123.7	172.4	146.9	122.6	227.1	145.5	194.8	116.0	159.6
September	..	146.4	111.1	125.8	130.5	123.4	120.9	174.7	152.5	120.6	226.7	149.1	353.4	113.0	163.9
October	..	131.9	109.3	116.2	122.4	113.2	111.8	170.6	188.1	117.4	220.0	143.4	231.7	105.5	165.8
November	..	142.3	118.2	115.1	122.5	111.5	120.4	175.9	157.3	124.6	240.7	148.0	369.9	96.1	168.4
December	..	136.1	126.6	122.4	130.7	118.2	118.7	177.1	169.7	120.9	239.3	157.8	191.7	58.1	177.2
January 1957	..	139.9	124.4	122.4	130.8	118.2	123.8	179.6	169.0	129.3	247.1	156.0	135.6	131.5	174.1
February	..	142.7	133.6	122.7	133.1	117.5	123.5	186.8	174.4	121.1	252.9	157.7	128.0	139.3	180.0
March	..	138.1	125.3	116.0	126.8	110.6	117.3	189.1	181.0	122.1	259.8	154.2	169.7	123.6	175.3
April	..	147.7	132.1	122.2	133.4	118.6	124.0	185.1	173.7	120.2	269.6	155.5	326.8	92.8	186.7
May	..	156.2	130.1	114.6	126.4	108.7	121.1	175.2	165.1	115.6	247.5	151.1	692.7	87.8	186.8
June	..	168.5	118.0	109.4	120.0	104.1	114.2	169.9	149.6	109.7	224.4	154.7	1,090.2	110.8	186.0
July	..	162.3	114.3	116.6	127.9	110.9	118.4	176.1	156.5	113.9	233.1	156.2	800.8	125.4	186.0
August	..	141.6	115.8	108.6	121.9	101.9	112.7	178.9	165.6	116.7	226.1	160.7	423.8	106.5	185.0
September	..	141.8	129.3	118.3	132.0	111.4	121.6	183.3	168.3	120.4	220.1	143.7	329.1	113.1	191.5
October	..	133.8	121.9	107.4	120.1	101.0	113.8	173.7	168.0	115.1	184.1	163.2	333.1	111.4	183.3
November	..	..	139.3	115.4	129.7	108.3	129.0	..	218.5	..	..	..	398.7	96.2	..

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

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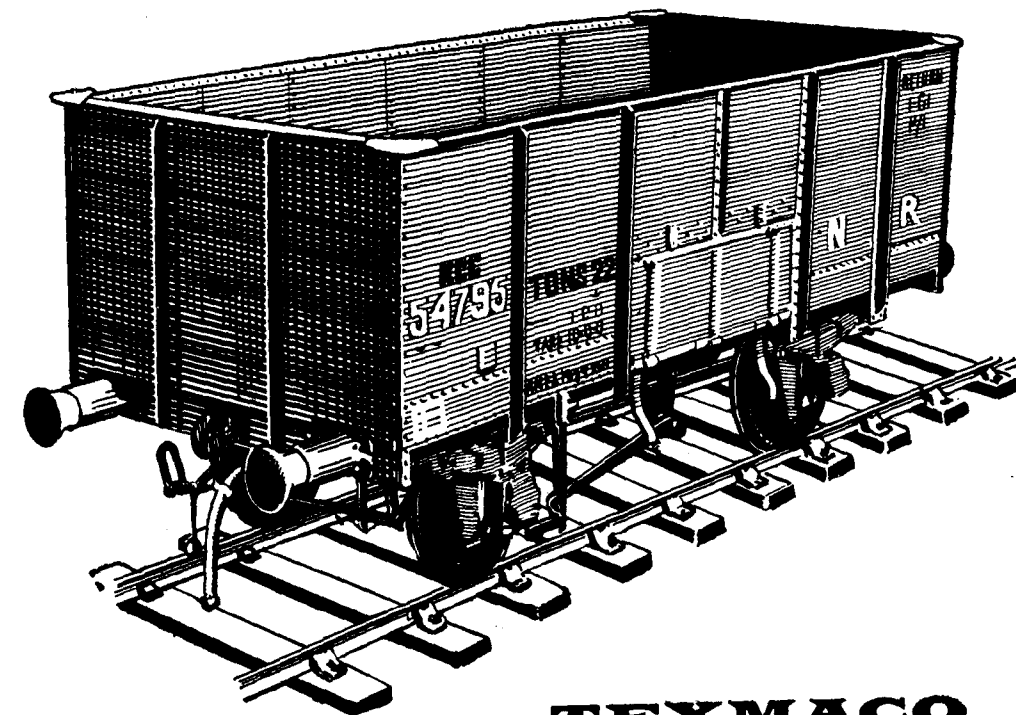
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FACTS BEHIND FIGURES

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The Eastern Economist

VOL. XXX. NO. 8.

NEW DELHI: FEBRUARY 21, 1958.

ONE RUPEE

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Railway Finances, 1958-59

The Railway Budget for 1958-59 presented by Mr. Jagjivan Ram on February 17 last gives only a tentative picture of the trends in railway finances in the budget year. The Press—reflecting public relief—has noticed the fact that the Budget contains no proposals for enhancement of passenger fares and freight rates. This is natural enough but it is to miss the real implication of a significant announcement made by the Railway Minister in his Budget Speech last year and reiterated this year. The report of the Railway Freight Structure Enquiry Committee is under examination by the Railway Ministry since it was tendered in April last. Considerable delay has occurred beyond the original date-line fixed for arriving at decisions on the recommendations of the Com-

mittee relating to goods classification and tariffs. The decisions are now promised in three months' time; the sigh of relief may well be premature.

How the position will emerge after the withdrawal of the surcharge levied on freight rates, pending the final outcome of the Committee's report, and the substitution of new tariffs and classes will have to be watched with anxious care. One of the predominant objects of the revision of the freight structure was to make adjustments in it to suit developmental requirements. Any attempt to enhance rates at this juncture would inevitably spell inflation in production costs all round. The repercussions which it will have on strategic materials like steel and cement, for which country-wide uniform prices have been fixed on the basis of railhead destinations, cannot be ignored. Industry and trade have already borne strains in costs and further additions are bound to prove restrictive in their impact on output.

If there is any case for putting up freight rates at some points, it is considerably weakened by shortcomings of the railway administrations in exercising adequate discipline in the matter of expenditure. Experience of the management of railway finances in the first two years of the present plan shows that this discipline is lacking. The actuals for 1956-57 reveal an increase of Rs. 5 crores in ordinary working expenses over the revised estimate as against a shortfall of Rs. 2.5 crores in gross receipts. The revised figures for 1957-58 betray a worse position. Ordinary working expenses rose above the budget estimate by a substantial figure of Rs. 15.3 crores which have more than swallowed the increase of Rs. 6.5 crores in gross traffic earnings. It is true that there are factors which inflate expenses and are beyond the control of the railway administrations. Interim relief granted by the Pay Commission in the current year and higher charges for repair, maintenance or fuel belong to this category. But certainly the extra salary bill for additional staff ought to be more than offset by earnings from additional traffic. In a phase of exceptional development expenditure drastic insistence on economy becomes all the more imperative.

An assessment of proper work loads and norms of management at all levels is now long overdue. Unless tangible economies are demonstrated in expenses, there is little justification for taxing the transport user. The vital repercussions of rising expenses are clearly seen in capital formation. The net surplus of the railways was reduced from Rs. 27 crores to Rs. 20 crores as between the revised and actual figures of 1956-57, while the decline in 1957-58 has been still more steep — from Rs. 31 crores in the budget to Rs. 22 crores in the revised estimate. The lesson of these two years does not inspire confidence that while gross traffic earnings at current rates will go up by Rs. 23 crores, the increase in working expenses will be pegged to Rs. 9 crores as estimated, ensuring a final net surplus of over Rs. 27 crores in the budget year.

It has now been adopted as a convention for some time, since the tempo of developmental outlay was raised, to allocate the entire net surplus to the Development Fund. In view of the character which the Development Fund has assumed, it is but inescapable that heavy withdrawals should be made from it from year to year. In the current year and the budget year, the rate of withdrawals is faster than that of appropriations with the re-

sult that net accretions are negative. The balance to the credit of this fund will be reduced from Rs. 13 crores at the beginning of the second Plan to a mere Rs. 68 lakhs at the end of 1958-59. The utility of the fund in the immediate future will be limited by annual appropriations from the net surplus.

The state of the Depreciation Reserve Fund discloses a heavy draft on it reducing its size from Rs. 104 crores to Rs. 73 crores. This is in spite of annual allocations at the rate of Rs. 45 crores. But it is in keeping with the scheme of financial resources for the railway plan. Its virtue lies in the fact that large expenditure from the Depreciation Fund helps to keep down the rate of over-capitalisation. It is pertinent to stress in this context that the liability of railway finances to pay dividend to the general revenues, which is computed at the rate of 5 per cent on the capital-at-charge, is now rising by more than Rs. 5 crores per annum. There is, however, no reason to take a pessimistic view of the railway reserve funds. The rationalised scheme which is in operation has wisely provided for a sound and dynamic Revenue Reserve Fund from which no withdrawals have been made in the second Plan period and even in the previous years since independence they have been marginal. This fund will be augmented from Rs. 47 crores at the start of the second Plan to over Rs. 51 crores in March 1959.

The current year has witnessed a definite easing of the strains on railway finances as well as physical resources for the completion of the expansion programmes. The progress of the Plan was in some state of stagnation in the very first year owing to acute shortages of strategic materials. This stagnation has been broken partly by larger funds which became available, but particularly by the change in the administrative procedure whereby responsibility for procurement was transferred from the Ministry of Steel to the Railway Ministry. Steel shortages have been minimised and a prospect of more adequate supplies has been promised for the budget year. But most opportune and of great help was the World Bank loan of \$90 million — about 45 crores of rupees — which became operative in September 1957. It will assist part of the spending programme until the end of 1958. Additional credits from the World Bank for the rest of the Plan period are expected on reasonable assumptions.

Credit deserves to be conceded to the Railway Ministry for the confident manner in which it is facing up to its onerous task. Its performance in the sphere of traffic has shown, by and large, no major lag in the light of the sanctioned resources. But it is difficult to escape an impression of complacency; this is likely to leave the railways confronted with a stark situation of bottlenecks in the last two years of the Plan. Since the Railway Minister announced in May last the enlargement of the size of the railway plan by Rs. 200 crores or thereabout and restoration of the tonnage target to 181 million as against 162 million approved in the second Plan, enough sense of urgency has not been displayed and no vigorous effort has been made to rephase the resources programme to spread the capacity target on a practicable scale. Freight transport capacity will be increased in the first three years of the Plan by 31 million tons raising it to 145 million originating tons at the end of 1958-59. Will the balance of 36 million tons be achieved in the remaining two years? One guess is as good as another; almost no one thinks it will.

Land Reform or Food?

THE Gauhati Congress, it may be recalled, put on record a resolution on land reform. From the point of view of possible follow-up action by State Governments, the operative part of the resolution was distinctly moderate in so far as it specifically recommended "a maximum limit for the size of the holding under personal cultivation" only and not under ownership as such. This, of course, did not mean that the Congress had given up the idea of imposing a ceiling on individual land ownership as recommended by the Planning Commission. But it was obvious, at the same time, the Congress did not attach any very great importance to this original proposal being implemented in the years immediately ahead.

It is, indeed, unfortunate that the landed interests, instead of drawing the appropriate inference from the resolution, have again whipped themselves up into a state of alarm as if the fixing of land ceilings was something imminent. The bigger landowners of South India in particular, who have always been allergic to Congress resolutions on land reform, have just met at Bangalore and passed a long-winded counter-resolution. Quite apart from the merits or demerits of the two resolutions, there is the relevant consideration that the inequalities of land ownership in India provide "the most dramatic and politically exploitable issue" as in China before 1950. This fact of inequality cannot be conjured away by any resolution but has to be recognised and faced if a rational approach to it is to be found.

The fact is that in just more than half the country (for which complete land census figures are available) landholdings of more than 30 acres each constitute 6.3 per cent of the total of 21.9 million holdings but account for 39 per cent of the total of 171.7 million acres involved; whereas landholdings of less than 5 acres each constitute 55 per cent of the total but account for just 11.5 per cent of the total area. It could be inferred from these figures that the land-hunger of owners of sub-marginal holdings which are predominantly (to the extent of 85 per cent) under their personal cultivation should be already most acute, for the average holding in this lowest category is just 1.64 acres which, by any standard, is palpably uneconomic. There is nothing extraordinary or unnatural about this because theirs is a felt need for some additional land to convert their tiny holdings into reasonably economic work-units, if not economic holdings as such. As compared to the land-hunger of these sub-marginal farmers, that of cultivating tenants and landless labourers, though real, cannot be construed as more acute or natural. If to those who have a little is to be given something more so that they could have economic plough-units there is no particular virtue in giving a little to those who have no land and who, even if they get it, will only add to the number of sub-marginal holders. It should be clearly recognised here that if the purpose of imposing land-ceilings is not frankly confined to making surplus lands available for distribution to sub-marginal holders, the clamour of the landless for those surplus lands will become so loud and insistent under Socialist or Communist inspiration that their actual distribution may not turn out to be any different from the pattern set by the Chinese Agrarian Reform Law of 1950.

As inequalities of land ownership lend themselves so easily to political exploitation by Communists, there is, at least in theory, some justification for generally limiting landholdings

to a size of 30 acres which is commonly canvassed. This possible maximum holding may have, on an average, $7\frac{1}{2}$ to 10 acres of irrigated land and may give a net income of about Rs. 3,600 to an individual and his family. If the principle of land ceilings is not questioned and if it becomes unavoidably necessary to implement a promise which the Congress has rightly or wrongly made, the most rational course would be to make the acquired surplus lands (above 30-acre holdings) available for distribution to the sub-marginal owner-farmers (with less than 5 acres each).

It is necessary to work out some details in this regard. From the substantial owners (with more than 30 acres each) who now have 66.9 million acres the surplus lands that will be released will amount to 25.6 million acres. If all these surplus lands are distributed to sub-marginal owner-farmers (with less than 5 acres) who now have 18.2 million acres, the average size of an owner-cultivated holding in this lowest category will become 3.64 acres which, though small, can still be an economic plough-unit. If, at the same time, all non-cultivating landowners in this lowest category are purchased out and their lands added to the owner-farmers in it, the average size of a peasant-farm would become 3.77 acres or roughly 4 acres. Only a land redistribution programme of this kind, it would appear, is inherently sound and rational in the circumstances of an inevitable (?) ceiling on landholdings.

The inevitability or otherwise of this reform would ultimately depend on political factors. For the present, the financial aspect of the thing is a severely discouraging factor because, if acquisition of mere intermediary interests under the zamindari abolition programme has involved a total compensation of about Rs. 500 crores or about Rs. 25 per acre, the acquisition of proprietary interests in surplus lands above a 30-acre ceiling would involve a total compensation of not less than Rs. 625 crores or Rs. 250 per acre. This estimate is in respect of just a little more than half the country; for the whole country it will be not less than Rs. 1,200 crores. This is a formidable problem; it would not be any less formidable even if payment of compensation were to be spread over, say, 20 or 30 years.

Notwithstanding this compensation consideration the Congress Party, if forced to fight with its back to the wall in a general election, may conceivably come to treat a very small minority of landowners as a dispensable commodity. The leading opponents of the ceiling proposal would do well to recognise that at least half the number of substantial owners may not feel really aggrieved by dispossession when it is reasonably compensated as it is bound to be. However unbearable dispossession, even when so compensated, may be to the other half — "men will sooner forget the death of their parents than the loss of their patrimony" — the Congress may not ultimately find it possible to abandon a proposal to which it has been wedded all along. The substantial owners can, however, justly expect the ceiling threat to owner-cultivation to be kept in abeyance for the duration of the second Plan on the compelling ground of maximisation of food production. After all, the substantial owners have, under their personal cultivation, a third of all the lands in the country and they alone have the requisite resources to increase production by at least 50 per cent, if not more, on their farms.

Indonesia in Travail

REBEL military leaders headed by Lt.-Col. Achmad Hussein proclaimed last Saturday a "new independent provisional Government" for Indonesia. The proclamation climaxes months of turmoil in the Indonesian Republic, during which a number of anti-Communist military commanders in the outlying islands have revolted against President Sukarno's "guided democracy", which allows Communists to participate in the Government. Speaking over the Padang Radio, Lt.-Col. Hussein declared that the Revolutionary Council had been constrained to take this step because of the refusal of Mr. Djuanda Kartawijaja to hand over the reins of the Government to Dr. Mohammed Hatta. Indeed, Mr. Kartawijaja had not considered it even advisable to confer with the representatives of the Council to decide upon ways of securing peace and order in the country.

The present revolt seems to be more than the insubordination of a few adventurous military officers. The new Government includes some of Indonesia's best known figures: Dr. Sjafouddin Prawiranegara, a former Finance Minister; Col. Ambek, a former Deputy Army Chief of Staff; Col. Simobolon, a former Commander of North Sumatra; and Mr. Bushanuddin Harahap, a former Indonesian Premier. Mr. Hardi, the Deputy Prime Minister in Mr. Djuanda's Cabinet, has unequivocally described the situation as "explosive" and expressed the fear that it may become "serious". The first measures that the rebel Government has taken show that it means to enforce its decisions. It has lost no time in declaring "economic war" on the Central Government, with an order to all foreign firms to stop oil shipments and royalty payments to Djakarta. Along with this order, the rebel Government has advised foreign banks to break contacts with Djakarta and start dealing through it.

Such rebel proclamations have been made several times in Indonesia since it became independent in 1945. A proper perspective of the present unhappy turn of events is, therefore, necessary. The basic cause of Indonesia's ills is that the people of the outlying provinces fear that the Government, with its headquarters in the island of Java, is out to impose its will on them and exploit their economy for the benefit of the Javanese only. This fear has gained strength from some of the facts. Last year, the people of Java, for instance, received 75 per cent of the imports; they had contributed only 17 per cent to the country's exports. As against this, the people of Sumatra provided 71 per cent of the value of Indonesia's exports, and received only 10 per cent of the imports. Recent attempts to introduce settlers from overcrowded Java to other islands have also been bitterly resisted by the local inhabitants. These regional feelings are, expectedly, sparked by the maladministration of the successive Governments at Djakarta.

In this situation, military adventurers have been tempted to revolt time and again. In August 1956, Colonel Kawilarang, who was then Commander in West Java, tried unsuccessfully to arrest the then Foreign Minister, Mr. Abdulgani, on charges of corruption. Four months later, two other army officers, Colonel Simbolon commanding at Medan in North Sumatra and Colonel Hussein, commanding in Central Java, revolted.

These revolts led to the disintegration of Mr. Sastroamidjojo's Government, especially after the Masjumi, the principal political party of Indonesia, withdrew itself from the coalition. Since then the Government at Djakarta has lived on sufferance of the Communists.

The demands of the previous rebels cannot easily be construed as anti-national in character. They did not demand sovereign status for the various islands under their control. They demanded only changes in the Cabinet; rapprochement between President Sukarno and Dr. Mohammed Hatta; local autonomy for the constituent units; a rational re-allocation of Government funds; and exclusion of the Communists from the Cabinet and the National Council should Sukarno's plan of "guided democracy" become a reality. In fact, it was President Sukarno's announcement to reorganize the Central Government and his intention to place Communists in key positions that precipitated the crisis about a year ago, of which the present revolt is a phase. Even the present rebels disapprove of President Sukarno's concept of "guided democracy" and demand the formation of a new Cabinet under the now suspended constitution of the country.

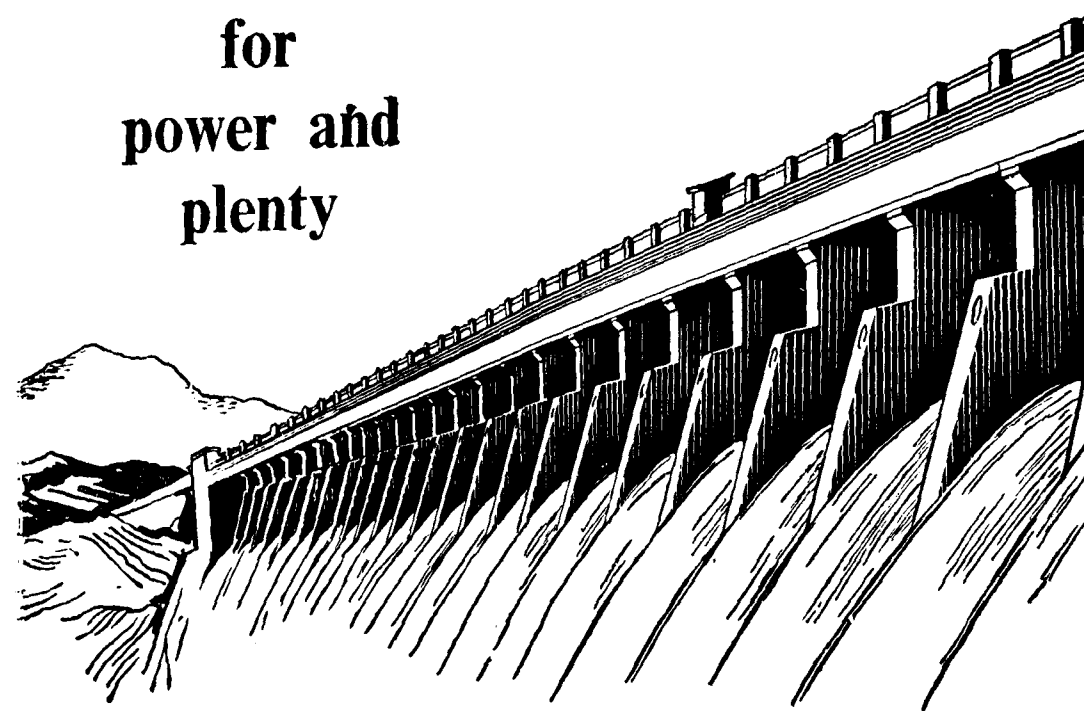
Despite the political crises, revolts and a foreign invasion, the basic unity of the country has been preserved. This is due primarily to an underlying sense of nationhood among the people who inhabit the 3,000 islands. Even during the present revolt, not only did the six major anti-Communist parties hurriedly compose their differences and appeal to the "Revolutionary Council" to withdraw the ultimatum, but hundreds of Indonesian students roused their Prime Minister, Mr. Djuanda Kartawijaja in the early hours of Saturday last to urge avoidance of bloodshed in dealing with the rebels. The marked reluctance on Djakarta's part to use force to suppress the revolt should not therefore be read as a sign of its weakness. The Indonesian Government seems to be inspired by the desire to avoid internecine fighting, which could embitter feelings beyond repair. Moreover, the fact that North and South Sumatra have remained aloof from the rebels, shows that the mass of Indonesians wish to avoid dismemberment of their country. The exclusion of Dr. Hatta, whom the rebels had named as their choice for Premiership, from the rebel-Government makes obvious the local character of the revolt. His exclusion is not likely to inspire the rest of the islands into sympathetic activity. Indeed, if past record is any guide, the rebels should not be averse to some sort of compromise.

Statesmanship demands, however, that the Indonesian President try to secure Dr. Hatta's full-hearted co-operation. Thus alone can the crisis facing the country be speedily and satisfactorily solved. In such a rapprochement lies the major source of hope, strength and resilience of the country. But if President Sukarno and Dr. Hatta fail to rise above narrow, personal prejudices, history will hold them responsible for the death of democracy in Indonesia and disintegration of the young Republic into ineffective fragments. For, the only gainers from the crises which successively shake the country have been, and will be, the Communists. China is, after all, Indonesia's next door neighbour.

FACTS BEHIND FIGURES

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THE WEEK'S NOTES

CABINET CHANGES IN CHINA

EVERY CHANGE in the Government or party hierarchy of a Communist country attracts worldwide attention and not unnaturally. Such happenings alone provide a glimpse of the contest for power that invariably goes on in closed society as different from an open society like our own. The replacement of Mr. Chou En-lai by Marshal Chen Yi, the Vice-Premier, as Foreign Minister of China is therefore not without significance. After all, Mr. Chou En-lai is unlikely to consider foreign affairs unimportant enough to be left to a lesser light. True, greater efficiency has publicly been adduced as a ground for the change. It is also true that even the most gifted man cannot carry on with the burden of the two offices of Prime Minister-ship and Minister of Foreign Affairs indefinitely. Both the offices are full time jobs separately. Moreover, when different people occupy those two offices, there is every chance of foreign affairs receiving second thoughts from one whose mind is relatively unaffected by details and daily routine. That Mr. Chou En-lai still retains the supervisory powers is evident from the fact that he made an important policy statement before the National People's Congress practically on the eve of relinquishing his charge of the Foreign Ministry.

The Chinese Communists did not, however, need nine long years to discover these obvious advantages. Their reasons for the present ministerial changes, though plausible, are not entirely convincing. Perhaps the real reason for the change lies in the recent campaign against the "rightists", which has already involved the dismissal of as many thirteen ministers. In that campaign of so-called rectification after Mr. Mao's "hundred flowers" speech there has taken place the abolition of the National Construction Commission and the distribution of its work among the State Planning Commission, the National Economic Commission and the Ministry of Building. The present political purge may also be a reflection of the serious economic recession caused by a couple of successive bad harvests and a disastrous flood. Economic situation may become even worse if the next autumn harvest happens to be poor.

Amidst the search for the possible reasons for the Cabinet changes or the possibility of a change in foreign policy, the most significant aspect of the changes has however been, as hinted above, the dismissal of the thirteen ministers. That is proof, if proof was at all needed, of the congenital inability of a Communist regime to expose itself to criticism from any quarter. As in Russia so in China the only answer to those demanding freedom of speech has been first their political denunciation and later their physical liquidation. The excuse has always been either that they are "anti-people" or that they have forfeited the confidence of the people. This further weeding out process in Mr. Mao's China certainly points out to the possible close of the era of "liberalization" ushered in by his "hundred flowers" speech nearly a year ago. Whether the new blossoms in his garden are more fragrant, that is, congenial to him, is a matter for anybody's guess.

ANOTHER FRENCH FOLLY

LAST WEEK Tunisia formally requested the United Nations Security Council that "aggression by France against Tunisia" be placed on its agenda. While making the request, the Tunisian Ambassador to the United States, Mr. Mongi Slim, informed the Security Council that French action threatened its security and endangered international peace in North Africa. The Tunisian complaint related to the recent French air raid on the Tunisian village of Sakheit Sidi Youssef. The village was

bombed and strafed for an hour and a quarter. The casualties, all civilians, were heavy: 64 killed and 87 wounded. The French Government has tried to justify its action by saying that it had been "caused by multiple provocations suffered by our troops at the hands of elements coming from Tunisia into the Algerian territory". The present action, the French assert, had been directed against anti-aircraft positions near the village after the French reconnaissance plane flying over Algerian territory had been fired at from across the Tunisian border.

No explanation can even remotely justify this dastardly action of the French. The attack was premeditated, and its victims were defenceless civilians. Moreover, it is somewhat strange that in an age when bombing has become devastatingly accurate, a greater part of the village had to be wiped out in an action allegedly directed only against anti-aircraft positions outside the village. Even if not a single man had been killed, nor one civil structure destroyed, the fact remains that French bombers have violated wantonly the territory of a free country and indulged in an unwarranted armed attack upon it. What is, therefore, needed from the Security Council is not merely unqualified condemnation of the French action, but also an assurance from France of its future good conduct. The French record of dealings with other countries during the last few years has been, to say the least, reprehensible. Few will have forgotten the French action last year when an Egyptian ship was stopped in the Mediterranean, ordered to Algerian shores, searched, and its cargo of arms confiscated. A Yugoslav ship in the Mediterranean and a Swedish ship in the Atlantic off the Moroccan coast have met with a similar fate this year. Last week's bombing of the Tunisian village is but the latest in this series of openly provocative incidents.

It is time the conscience of the world asserted itself. Not France alone but Western powers as a whole would do well to heed to Mr. Nehru's warning in this regard. Comparing the French bombing of the Tunisian village with the Jallianwala Bagh massacre in India he said: "If this kind of outrage is to be persisted in and approved, it might produce deterioration beyond the point of no return". The Arab world in general has been inflamed by this latest act of French savagery. The rising tide of Arab resentment may eventually hit the free world also for sustaining, if indirectly, French imperialism with arms and money. The only silver lining in an otherwise bleak situation is that the blundering French Government has at last thought it fit to accept United States' good offices for securing a settlement with Tunisia "out of court". The present move will provide an opportunity to the free world to exercise its moderating influence on France, and will deny Russia yet another opportunity to exploit Arab nationalism for its ends.

PUNJAB'S WOES

THE ATTEMPT at incendiarism at a Gurdwara in Jullundur last week was another incident in the series which have disfigured the public life of the Punjab. The incidents in sum have created the impression of an extremely explosive situation reminiscent of the pre-partition days. Both the Akali leader and the Hindi Samiti chief, who is to all intents and purposes a spokesman of the Hindus in general, are accusing each other of injecting poison in the State's body-politic. In fact, both have made an unenviable contribution to instability in the Punjab—the former by fanatically demanding for the Punjabi language the status of a regional

language, and the latter by equally unreasonably decrying the language as a mere dialect.

The controversy threatens to assume grave proportions because of its peculiar context. For more than a decade Punjab has been in the throes of madness of one variety or another. Before partition, it was the antagonism between the Hindus and Muslims, now it is the bad blood between the Sikhs and the Hindus which is weakening the sword-arm of India. Of late, this strife has been percolating to the lowest level and also affecting the thinking and behaviour of those whose duty it is to give a correct lead to the people of the unfortunate State. Already tracas and riots have taken place in several cities and towns in the State.

It was to solve the linguistic issue amicably that the States Reorganization Commission rejected the Akali demand for a Punjabi-speaking province. "There is little likelihood," it remarked, "that the creation of the proposed State will lead to greater communal harmony and concord." The Commission in conceding Punjabi Hindus' demand for Maha Punjab was persuaded merely by the economic argument. But in order to allay the fears, well-founded or otherwise, of the Sikhs, a formula was evolved jointly by Mr. Nehru and Master Tara Singh. Under the formula, linguistic division of the Punjab into Punjabi and Hindi zones was envisaged. While in the former zone the medium of instruction in the primary stage would be Punjabi, in the latter it would be Hindi. Students have to learn Punjabi or Hindi as their second language, as the case may be, in their higher secondary classes. This obviously reasonable formula has been rejected by an extremely voluble section of the Hindus who have been carrying on agitation for one reason or another. The present situation obviously reflects the bankruptcy of the leadership of the State.

The cry of "Punjabi in danger" or "Hindi in danger" is meaningless. The former is a recognized regional language, and the latter enjoys the prestige of national language. Moreover, if both Hindus and Sikhs could vie with each other in mastering Urdu and English in the pre-independence days, it is unreasonable for any one to refuse to show comparable interest in Hindi and Punjabi. The only practicable solution, which seems to present itself, is that both the languages should be taught simultaneously. Besides, all official documents which are now being kept in English ought to be kept

in Hindi and those in Urdu might now be kept in Punjabi.

U.P. BUDGET

THE UTTAR PRADESH BUDGET for 1958-59 presented this week must have come as a disappointment to those who expected that a valiant attempt might be attempted this time by the State Government to balance its budget in response to Central exhortation. In fact it will be hardly surprising if other States choose to follow the same line of least resistance, in which case any hopes of the States raising additional resources not only to fulfil the targets envisaged in the Plan but also for reducing the quantum of deficit financing would lie in the realm of fancy and not fact. It is of course some comfort that the anticipated deficit in the revenue budget is no more than Rs. 4.54 crores in spite of an increase in estimated expenditure. But credit must go primarily to the bounteous award of the Finance Commission which has not only increased the budgeted year's income by over Rs. 8 crores but also narrowed down the deficit gap. The increase in the budgeted income in spite of the absence of the new taxes is thus explained by the increased share of allocation from the Central pool of income-tax, excise duties and tax on railway fares. It may be that this year circumstances were not quite propitious for the State Government to make any positive attempts at finding new sources of revenue and the only thing it could do was to effect some economy in administration. But this plea cannot be indefinitely prolonged.

One aspect of the budget that should be welcomed is the increasing attention that the industries and power sector is receiving and the gradual shift in emphasis on industrial development. Thus the inclusion of the Rihand project in the core of the Plan, is a major achievement. Equally important is the diversification in industrial development that is now being attempted. Plans for a soda ash-cum-ammonium chloride factory and a heavy electrical goods factory besides the expansion of the Churk cement factory and a precision instruments factory thus indicate Government's recognition to accelerate this process. There are also indications that Government are more interested in giving adequate encouragement to private enterprise in the establishment of industries. The Birla report, which had given some sound suggestions to make up the enormous leeway in the industrial progress of the State, can prove of considerable value in this direction if there is the will to profit by it.

A Window on the World

AVOIDING A WORLD DEPRESSION

By
ODYSSEUS

IN THE "BAD OLD TIMES" of the gold standard, a balance of payments deficit in one country led to a higher rate of interest to attract funds, and equilibrium was restored by a lowering of money rates in surplus countries, permitting an outflow of funds from them to the deficit country. The obligation, which the gold standard enforced, of keeping constant the value of all currencies in relation to each other meant that interest rates, and prices, and the volume of trade and commerce, tended to equilibrium, as water will maintain a constant level in a series of tanks connected together by pipes. It does not matter that the tanks may be of different sizes, or that water from an outside source flows into one tank faster or slower than into others. As long as the connecting pipes don't break down, the level of the water in the different tanks will always be adjusting itself to the point of equilibrium.

The gold standard is now condemned on the grounds that it places your national economy at the mercy of an allegedly haphazard international system of trade. The new idea is that by turning your tap (that is your rate of exchange) leading to the international connecting pipe on or off in accordance with what level of water you want in your national tank, you can isolate yourself from the international level. This is unimpeachable in theory. In practice, it means that the flow of international trade is interfered with artificially and the volume that flows in or out of each national tank suffers accordingly. In the bad old days, the gold standard provided an automatic regulator of the flow and the level of international trade, which was out of reach of planners and individual national interests.

But as Bertrand de Jouvenel explained in his BBC Third programme broadcast (See "the Listener" Nov. 7, 1957), which we discussed here last time, the gold standard having been abandoned, there is no automatic credit contraction in the event of a continuing drain. On the contrary, a credit squeeze has to be launched as an act of deliberate policy, which means that it is liable to come late in the day and to be correspondingly brutal. Secondly, under our enlightened present system, there is no automatic expansion in a surplus country, whereby the latter begins to import more and more from the deficit country. Indeed the surplus countries hasten to prevent the inflow of gold from expanding their credit on the grounds that they do not want to "import someone else's inflation". Such policies of sterilisation throw the onus of re-establishing equilibrium on the deficit country which is unable to share its burden with surplus countries. The nub of M. de Jouvenel's argument was that today deficit countries have to squeeze themselves on such a scale that they may damage their economies to the point of social unrest or dire political consequences. As long as the US, in enlightened self-interest, was pouring out gold and dollars in the golden era 1946-56, the post-World War II international trading system worked. But since 1956, the USA and Germany have sterilised credit and raised their interest rates to prevent the inflow of inflation. The result has been to create the threat of world deflation.

ENCOURAGING DEVELOPMENTS

In these circumstances, M. de Jouvenel asks two questions: Are the Bretton Woods doctrine and ar-

rangements adequate to preserve a satisfactory system of international trade? Does the US economic situation really call for dear money? (We may note that since M. de Jouvenel's broadcast, given in November, bank rates have been lowered in the US and the chairman of the Federal Reserve Board has stated that his Board would need to consider credit expansion in the event of a recession. The rate of interest has also been lowered in Germany. These are encouraging developments that suggest that the authorities of the surplus countries are alive to their responsibilities. But they do not invalidate M. de Jouvenel's argument).

M. de Jouvenel says that the Bretton Woods agreement provides no feedback mechanisms whereby (1) a drain or (2) an influx of reserves tend to choke off the causes producing them. A country may still inflate its internal demand while its reserves run out (cf. France) or it may squeeze its demand despite an influx of foreign exchange (cf. Germany). In these circumstances, fixed parities between currencies are impossible.

M. de Jouvenel considered that the US credit squeeze (as it existed when he spoke in November) was pointless because it was aimed at demand inflation which he thought did not exist. He warned that US policy was endangering the world economy in order to fight an imaginary internal danger. France and Germany have been opposite and equally striking examples of the failure of deficit and of surplus balances of payments to act as correctives on their national economies (although there are now increasing signs of a belated expansion in Germany's economy). To the German contention that they have not wished to import other people's inflations, it could be replied that other countries do not wish to import Germany's deflation. Both these views are defensible, but they illustrate the vicious circle set up by abandoning the gold standard. The problem is therefore how to reconcile such national pre-occupations with the continued prosperity of international trade conducted without the gold standard.

One answer, backed by Professors Milton Friedman, James Meade, Albert Hahne, and Friedrich Lutz, has already been outlined in this column between November 8 and December 6, 1957, in our discussion of flexible rates of exchange. M. de Jouvenel's view is that considerable though the inconveniences of flexible rates might be, they would not be so great an evil as reversion to exchange controls and inconvertibility of currencies. The aim of Bretton Woods was first to establish fixed parities and then to move towards convertibility (defined as convertibility for any holder of a currency. Convertibility "for foreigners only" is not convertibility at all). Today, prospects of a general advance to convertibility are poor and M. de Jouvenel therefore raises an extremely pertinent question, which deserves a paragraph to itself:

QUESTION ALL-IMPORTANT

Should we not abolish exchange controls and start with free convertibility at market rates, looking towards the progressive establishment of stable rates of exchange through an initial period of flexible rates?

M. de Jouvenel, appositely recalls an important fact which, I suspect, all but a few experts have forgotten,

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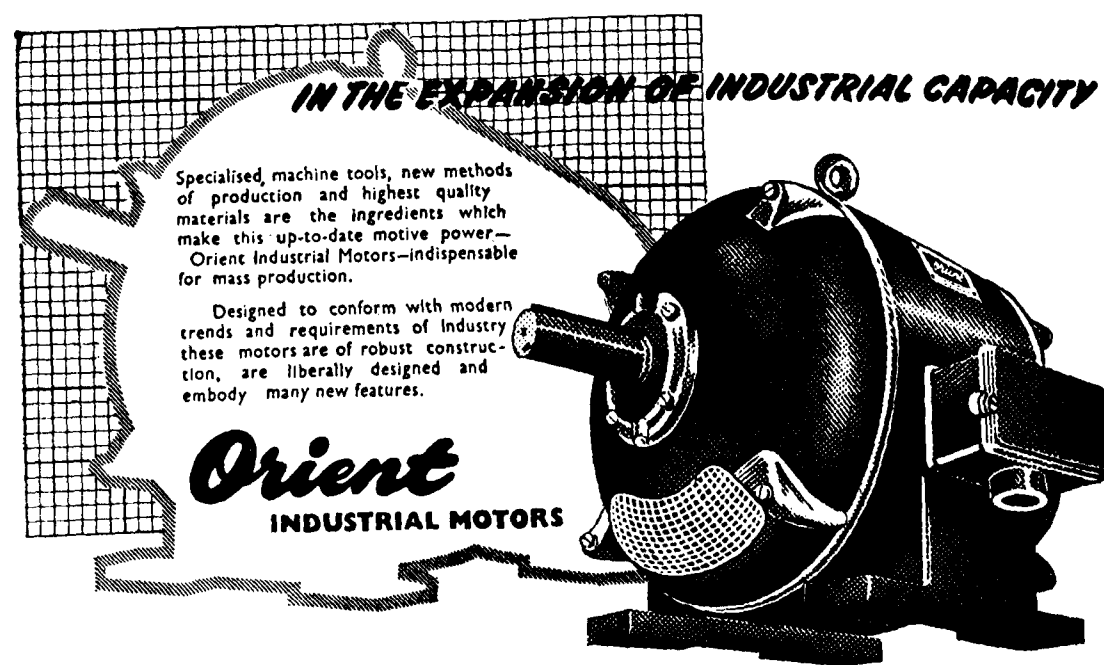
namely, that the French franc lost far less internal and external value after World War I, when it was freely convertible at market rates, than it has since World War II when it has been inconvertible and held at supposedly fixed rates. When a national currency begins to fall on the markets of the world, this has a sobering and restraining effect, partly automatic, partly psychological, on the causes which are making it fall. M. de Jouvenel then continues with a sentence which evokes a cry from the very heart of this column, but which is enough to make any planner hurl us out of the window at once. "And surely," he says, "we want corrections to stem as far as possible from voluntary actions of individuals rather than from government measures." Well, perhaps the modifications of official attitudes in India towards foreign investors, prompted by the Five-Year Plan's foreign exchange difficulties, and perhaps the abounding and bursting-at-the-seams prosperity of Germany under a regime of responsible free enterprise, are two straws blowing in M. de Jouvenel's hopeful wind.

But while he agrees that the case for flexible exchange rates is strong, M. de Jouvenel rightly observes that they would not counteract the nefarious influence of the USA's dear money policy on the economy of the free world. In outlining why he thinks that this policy was unnecessary, M. de Jouvenel distinguishes between two types of inflation: (a) Demand inflation, originating in excessive government spending or creation of credit—and this alone M. de Jouvenel considers to be properly called inflation -- and (b) cost-push inflation, where costs keep rising because of wage increases

granted in excess of productivity. M. de Jouvenel concedes that demand inflation can generate cost-push inflation, but he argues that the existence of cost-push inflation does not necessarily indicate that demand inflation still persists. There is an inertia of cost-push inflation which causes it to continue for some time after demand inflation has disappeared.

This is because the only factor which responds at once to a fall in demand is the price of raw materials which producers are now buying in lesser quantities. But raw materials are mostly a small part of a producer's outlay. Producers have many long-term contracts, covering, e.g., new machinery and plant, which cannot be revised downwards. M. de Jouvenel also calls special attention to the American practice of establishing long-term wage contracts. In a period of falling prices, long-term wage contracts inevitably preserve cost-push inflation, but it is M. de Jouvenel's case that if this is interpreted as a continuing symptom of demand inflation, to be cured by contracting credit, then the restrictive measures taken may have dangerously widespread and exaggerated effects.

In short, when he wrote last November, M. de Jouvenel considered the situation in America to be deflationary, not inflationary. It was a situation which, in his view, called for the reversal of the policies then being pursued. It is encouraging to note that the subsequent actions of the American authorities suggest that they accept this diagnosis and are alive to their responsibilities to avert world deflation.



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February 21, 1958.

THE NORTH AFRICAN WAR PARTY

(From Our Special West European Correspondent)

PARIS, February 14.

THOUGH the bombing of Sakhiet-Sidi-Youssef by the French air force was calculated, in the minds of the authorities who ordered it, to discourage one form of foreign intervention in the Algerian war, there can be no doubt that its effect will be to provoke a much more determined and efficacious form of external interference. Tunisian intervention has been indeed blatant, illegal and irritating, but at the same time it was limited and half-hearted; whereas the sort of American pressure on France that can now be expected might be decisive for the future course of the Algerian struggle. The United States is henceforth particularly well placed to exercise this pressure, for France has just accepted a loan of \$665 million most of which was provided by the US Government; this loan was declared to be (as all international loans are in theory) "free of political strings", but in fact it gives Washington a substantial measure of silent and indirect control over French policies.

The setback of Sakhiet comes just when there had been a favourable evolution of American opinion about France's prospects in North Africa. The voting of the framework law for Algeria, the new and important discoveries of oil deposits, the negotiations for representation of American capital in their exploitation, the reported improvement in France's military control in Algeria and rumours that the King of Morocco was being encouraged from Paris to mediate with the rebels—all these factors led Washington to feel more optimistic about France's North African future. This assisted the negotiations for the loans required to help France past a difficult phase, and explains in part why those loans were larger than had been expected. The Algerian rebels, at least, read this as signifying that Washington had decided to increase its support of France, and that was why the FLN ostentatiously shifted its headquarters from the pro-Western capital of Tunis to the anti-Western capital of Cairo, hoping thereby to awaken American anxiety about the progress of Nasserism in North Africa.

But the bombing of Sakhiet has thrown all this in doubt. In one day France squandered all the political credit she had accumulated in recent months. Not that any of the Western countries had come around to positively endorsing French policies, but the signs of increased pacification and, above all, the economic promise of the Sahara had lulled them into feeling that France could safely be allowed another year or so to settle the Algerian problem without outside pressure. Sakhiet showed that, left to herself, France would seek to settle this problem by using methods that (whatever their moral and military justification) had the certain consequence of alienating Arab sympathy even further from the West, destroying the hopes of Franco-North African co-operation without which the wealth of the Sahara will be worthless and in general running the danger of turning the Algerian war into something much more widespread. In these circumstances, the tacit agreement to let France have her way for another year or two has to be reconsidered.

For this reversal of sentiment, France is herself to blame. Previous incidents on the Algero-Tunisian frontier could fairly be suspected of being FLN pro-

vocations, designed to put Paris and Tunis at loggerheads whenever they seemed to be drifting back to amicable relations. But last Saturday's attack was purely a French initiative. It matters little whether the decision was taken in Paris, Algiers or on the spot; it was French in any case and other countries cannot be expected to make allowances for the French Government's inability to control its own army. To say that the political blame lies wholly with France does not mean that Tunisia has any moral case whatsoever: if Mr. Bourguiba lets his country get entangled in a foreign war, if he lets his territory be used by the enemies of a friendly independent State, he must expect the consequences. And if he lets this enemy army use a Tunisian village as a point of attack, in spite of repeated warnings from the French, then it is hypocrisy to deplore civilian losses, in this age when war never spares civilians, least of all when they have soldiers in their midst. Juridically, Tunisia's case is indefensible. But the question is not only, or even primarily, juridical.

The Greek Government (and its British and American supporters) had excellent juridical reasons for pursuing the rebel troops of Markos into their privileged sanctuary in Albania and Yugoslavia, during the civil war in Greece—but it never did so. The French Government (and its American ally) had an equally good case against Communist China's support of the Viet-Minh rebels during both the Tonking battle and Dien Bien Phu—but it did not let this lead it to make war on China. The UN forces in Korea under General MacArthur had an unanswerable military and legal case for pursuing their Chinese attackers into their privileged sanctuary in Manchuria—but President Truman preferred to sacrifice a great soldier rather than generalise a war for such excellent juridical reasons. There are cases where you are completely in the right, but it is political folly to use your right. The French Assembly showed this week that it was quite unwilling to make this distinction, as though to censure the authors of a serious fault would sanction Tunisia's infractions of international law.

As it is, nothing has been done to discourage Tunisia from aiding the rebellion, whereas if the pacification had continued to make progress in Algeria and if other countries had come to feel more strongly that France's presence there was assured, there would have been pressure on Tunis to respect its international obligations. The future of Franco-Tunisian co-operation has been gravely jeopardised (though, remembering Tunisia's complete economic dependence on France, one cannot say that it has been destroyed). The extremists of the FLN have been given further heart, and their policy of blackmailing the USA by threatening to "go East" if Washington does not force Paris to compromise has been made much more plausible. The anxiety of the NATO partners of France has been increased, and it is now certain that Algeria will be discussed within that organisation for the first time. Finally, the State Department has been moved from its mood of passive support to a critical attitude where its main concern will be to collect reasons for intervening to secure an early end to a war that is a permanent handicap to its Arab policy.

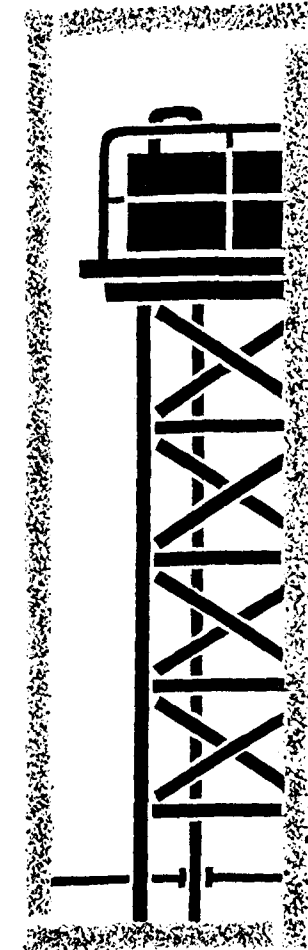
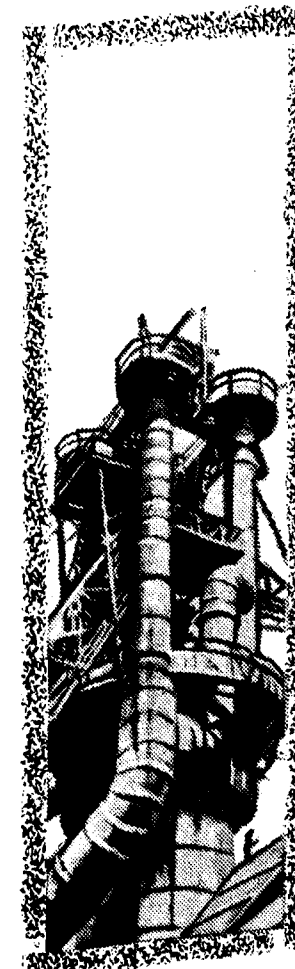
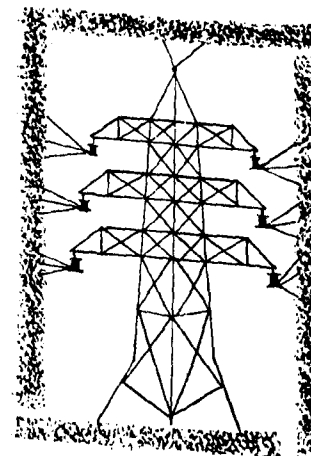
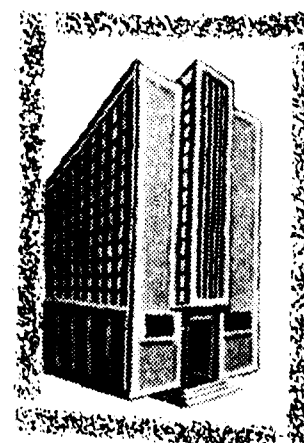
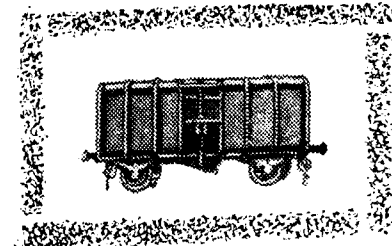
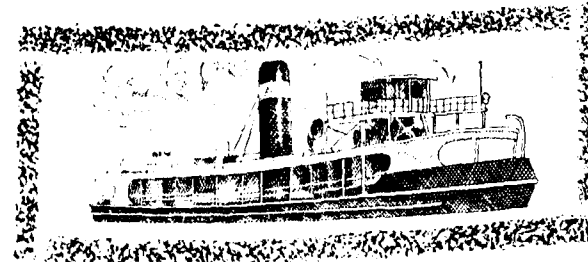
The irony is that these very considerable diplomatic consequences have been brought on by men who did

not even consider them, let alone weigh them up before taking a decision: namely, the military authorities in Algeria. For it is beyond all doubt that the soldiers on the spot much exceeded their orders (or what the Government understood to have been its orders) in deciding on the indiscriminate bombing of Sakhiet. Since the Ministry, after some days' hesitation, has resolved to assume the total responsibility for this action, this fact in no way lessens French blameworthiness, but it is curious to reflect on this strange method of governance that consists in bravely and foolishly endorsing actions that one knows to be wrong and which one did not order. The bombardment of Haiphong in 1946 was not decided in Paris either; nor was the arrest of the Chenik Ministry in Tunisia in 1952; nor was the deposition of the Sultan of Morocco; nor was the kidnapping of Ben Bella in 1956. Yet all of these monumental errors were, after a moment's dismay and chagrin, approved, endorsed and sophistically defended by the French Government. No wonder the policy of the *fait accompli* has a French name in every language.

Yet, as the parliamentary debate on the Sakhiet bombing has again demonstrated, it would be quite misleading to picture a well-intentioned metropolis sadly following the *faits accomplis* of an insubordinate army. For there is no piece of madness of which the army is capable that does not find determined defence from

a large section of deputies. In the present case, there is a powerful section of French politicians who are convinced that the struggle in Algeria should be continued by every possible method, at no matter what cost, even if it leads to the total diplomatic and moral isolation of France. This opinion is represented in the Ministry itself by two socialists, Robert Lacoste and Max Lejeune. Its influence has not been lessened by the shock of the Sakhiet bombing, and so all forecasts about the probable course of events in North Africa must take account of this extremist current, which, I repeat, is not to be identified with the traditional Right but includes many socialists too. Hopes expressed abroad that the consternation caused by the Sakhiet affair would "bring France to her senses" seem, here in Paris, to be quite mistaken. It will require much more than the disapproval of a large part of the French public to restrain the extremism of the North African war party, and much more too than the disapproval of allies and the United Nations. No amount of moral condemnation, political isolation or diplomatic pressure will lessen the determination of that minority section (for it is a minority in the country) of French politicians that wants to play double or quits in Algeria to the very last. It is as well to have no illusions about this. The only form of intervention that could possibly bend the determination of this group would be economic pressure of the sort the USA is now well placed to exert.

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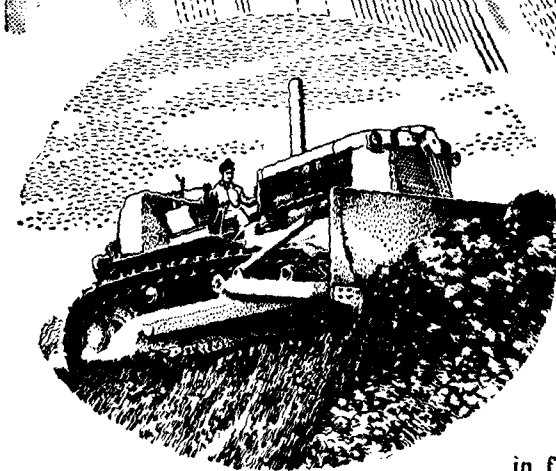
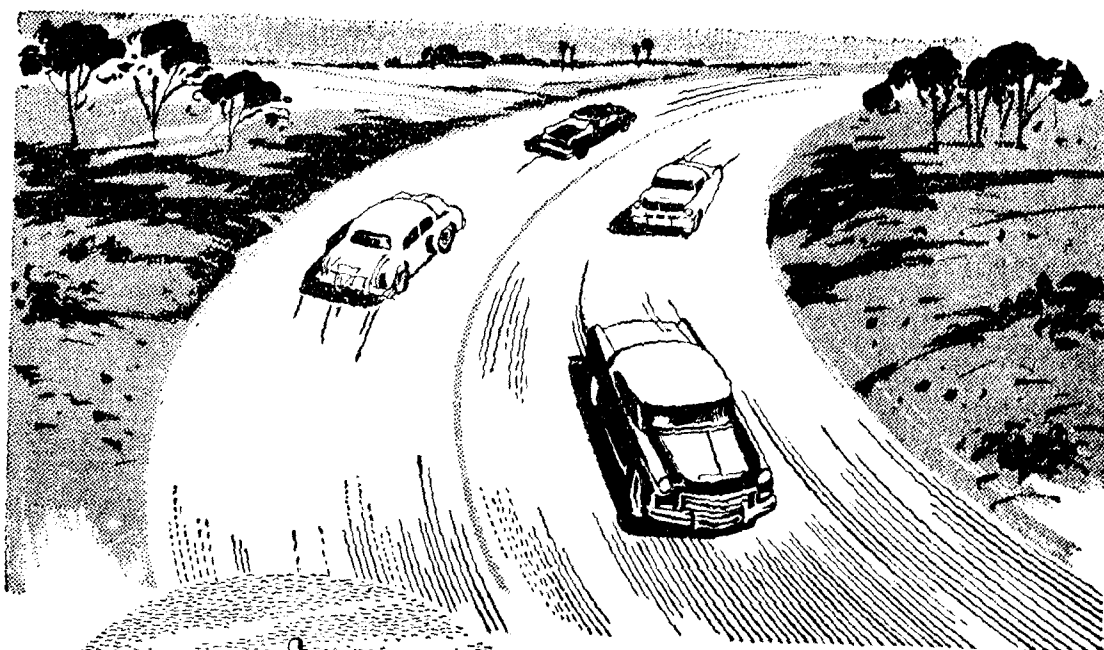
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WORLDGRAM

AGRICULTURE

Co-operative Farming in Bombay: The Bombay Government were in general agreement with the policy laid down by the Planning Commission regarding introduction of co-operative farming. The State had set apart a sum of Rs. 44.50 lakhs for promoting co-operative farming. In 1956-57, 29 co-operative farming societies were organised and assistance amounting to Rs. 3.03 lakhs was granted. For the current year a target of 25 societies was aimed, and a sum of Rs. 10.58 lakhs earmarked for the purpose.

Farms for Supply of Improved Seeds to Cultivators: A total number of 1,416 farms for multiplication and distribution of improved seeds to cultivators will be set up in the current financial year. Of these, 628 seed farms were established between April 1-December 31, 1957. The State Governments have also reported that they expect to set up the remaining number of 788 farms by April 1, 1958. The target for 1958-59 is 1,565 seed farms. An area of about 250 million acres will ultimately be covered with pure seeds by 1960-61, ultimately increasing food production by 10 to 15 per cent. During the current financial year, a loan of Rs. 184.06 lakhs and a subsidy of Rs. 206.6 lakhs have been sanctioned for the seed farm schemes.

Co-ordination of Research and Development Work on Rice: To ensure co-ordination in research and development work on rice, the Government of India has set up a Rice Committee under the Indian Council of Agricultural Research. The Committee will plan and supervise research, extension and marketing of rice, and collate the results on a national basis. It will also forward data about rice in India to the International Rice Commission of F.A.O. Among those who will be members of the Committee are Director of the Central Rice Research Committee, representatives of the Union Ministers of Food and Agriculture, Commerce and Industry, Community Development and Planning Commission, State Directors of Agriculture, and non-officials representing producers, traders and co-operative societies dealing with rice. It is proposed to employ an expert as member-secretary of the Committee, and he will devise a programme for intensive research work on rice in the country. A sum of Rs. 46,500 has been sanctioned for the purpose.

INDUSTRY

Development of the Handloom Industry: A number of schemes for the development of the handloom industry—cotton, silk and woollen—in different States have been approved by the Government of India. Over Rs. 21 lakhs have been sanctioned to the States for implementing the schemes. The schemes envisage provision of working capital for weavers in co-operatives, supply of equipment and accessories, opening of more sales depots, inter-State depots and dye-houses and the establishment and renovation of housing colonies for the weavers. Of the total amount sanctioned, a sum of Rs. 8.8 lakhs is to be utilised for the development of the cotton handloom industry. A loan of about Rs. 5 lakhs has been given to West Bengal for providing working capital for 5,000 looms to be brought within co-operative fold. Already a sum of Rs. 10 lakhs has been sanctioned for the purpose.

Precise Conversion of Inch and Metric Dimensions: The Indian Standards Institution has published an Indian standard method (IS: 1105-1957) for precise conversion of inch and metric dimensions to ensure interchangeability. This Indian standard method gives

a simplified set of rules for the precise conversion of dimensions from inches to millimeters and 'vice-versa' to ensure interchangeability. The rules are meant for use particularly in the work of help of these rules and the accompanying tables in this standard, dimensions can be converted from one system of units to another with great easiness and speed.

TRADE

Korean-Indian Trade Increases: North Korea's trade with India has increased with the conclusion of the first trade agreement between two countries. Her trade with other Asian countries, Indonesia, Burma and Egypt has also registered gain. The foreign trade plan for 1957 of the Korean Democratic People's Republic was fulfilled by 101.5 per cent, showing an increase of 54.3 per cent over the preceding year. The Republic further extended its trade with countries of the socialist camp.

Sterling Area Trade: Exports from the Sterling Area as a whole continued to expand at the same rate in the third quarter of 1957 as in the first half of the year—that is, by 7 per cent, compared with a year earlier—says the latest issue of Britain's 'Board of Trade Journal'. One exception, the 'Journal' notes, was Pakistan, whose exports, "depending very largely on raw cotton and raw jute", were "particularly low". The United Kingdom's own total exports increased by more in the third quarter than in the first half of the year; they went up by 7 per cent in value and 3 per cent in volume. In the first nine months of 1957, United Kingdom exports to the Sterling Area were 4 per cent up on the corresponding period of the previous year. British exports to the dollar area rose by 8 per cent, and to the world as a whole, by 6 per cent. In the same nine months, the Sterling Area as a whole increased its dollar-earning exports by 9 per cent and its total exports by 7 per cent.

US Reports Increased International Trade: In an annual review of its operations, the Commerce department noted that its Bureau of Foreign Commerce sought to spur international trade, travel and investment by increasing informational and advisory services, special promotional activities relating to travel and investment, sponsoring of US trade missions overseas, and other activities. As a service to Americans desiring information on trade, travel or investment abroad, the department said, its publication, 'Foreign Commerce Weekly', featured 2,600 articles and reports concerning 80 countries in all areas of the world. At the same time the publication carried news of more than 5,000 opportunities in export and investment fields in various overseas areas. Additional information service was provided in fiscal year 1957 through the publication of 277 separate reports on foreign market data, business laws, taxation, customs, and tariff and trade statistics as well as through special handbooks on investment and licensing opportunities. At the same time, the department said, American publishers, manufacturers and exporters co-operated in providing an increased number of directories, catalogues and other reference material to be sent to US posts abroad where they could be made available to business men of other nations. Reporting a marked increase in patent licensing abroad, the department said its Trade Adjustment Service aided US and foreign firms on 2,400 claims growing out of foreign trade transactions. The department said fiscal 1957 saw record activity with respect to US trade missions. Twenty-three missions were sent abroad, 19 in connection with trade fairs. Methods of organising and training personnel for such missions were improved, the department added. In other 1957 highlights, the

department reported extensive preparations for International Geophysical Year studies by its Coast and Geodetic Survey and Weather Bureau as well as progress by the Maritime Administration in developing the US merchant fleet, plus advances in pure science and research by the National Bureau of Standards.

*

First Trade Agreement between India and Greece: Trade talks between representatives of the Government of India and the Government of Greece were concluded recently in New Delhi resulting in the signing of a Trade Agreement between the two countries for the first time. The Agreement takes effect immediately and will be valid up to December 31, 1959, subject to revision of Schedules for the year 1959. It can be extended by mutual agreement. The Agreement provides for maximum possible facilities being given by the two countries to the import and export of goods of interest to either party. The Government of Greece have agreed to treat India on par with the countries in the Organisation for European Economic Co-operation and the Government of India have agreed to treat Greece on par with the countries in the Sterling area. The Agreement also provides for most-favoured nation treatment for ships belonging to either country. This will not, however, apply to any concessions accorded to national ships engaged in the coastal trade of each country. Among the commodities mentioned in the list of goods available for export from India under the Agreement, are jute goods, linen, vegetable oils, tea, coffee, spices, gums and resins, hides and skins, wool, hemp, leather, cotton piecegoods, shellac, cashewnuts, mica tobacco, coir products, sports goods, handicrafts, handloom products and fruit products. Important commodities mentioned in the list of goods available for export from Greece, are, preserved fruits, olives, olive oil, honey, wines, saffron, canned vegetables, sulphur, soap, tanning extracts, activated carbons, marbels, emery and corundum, cement other than portland, berytes, agricultural machinery and tools, electric motors, diesel engines, cotton and rayon yarns.

FINANCE

Rebate of Customs Duty Scheme Extended: In accordance with the policy of promoting exports, the Government of India have extended and enlarged the scheme of drawback of customs duty paid on imported material used in the manufacture of a large number of exported articles. Several varieties of carbon paper have been brought under the scope of the scheme and full rebate of customs duty will be allowed instead of 5th as hitherto. Imported soda ash used in the manufacture of glass and glassware also come under this category. Glassware will include glass containers of various products (e.g. jams, jellies and medicines), bangles, globes and chimneys for hurricane lanterns. Drawback of customs duty will also be allowed on certain imported material used in the manufacture of tissue paper, spectacle frames, sewing machines, playing cards, dry batteries and R.S. pilfer proof closures. With regard to the rates of rebate admissible, information may be obtained from the Collectors of Customs.

*

Customs and Excise Revenue Collected in the Indian Union for October 1957: According to the returns received in the Department of Commercial Intelligence and Statistics, the total gross sea, land and air customs revenue collected in the Indian Union during October, 1957, amounted to Rs. 14.92 crores as compared with Rs. 14.29 crores in the corresponding month of the previous year. The comparison in the subsequent paras should be taken to refer to that of the current figures with those of the corresponding period of the preceding year, except in the case of air customs for which the previous year's figures are not separately available. Of the total customs revenue collections, import duties accounted for Rs. 12.04 crores as against Rs. 11.70 crores, export duties for Rs. 2.23

crores as against Rs. 2.80 crores, land customs and miscellaneous for Rs. 54 lakhs as against Rs. 39 lakhs and air customs for Rs. 11 lakhs. The total gross collection of Union excise duties amounted to Rs. 21.26 crores as compared with Rs. 16.15 crores. During the seven months, April to October, 1957, the grand total of gross customs and Union excise revenue realised was Rs. 254.62 crores as compared with Rs. 197.52 crores during the corresponding period of the preceding year. Of this amount, import duties accounted for Rs. 92.69 crores as against Rs. 78.15 crores, export duties for Rs. 12.94 crores as against Rs. 15.26 crores, land customs and miscellaneous for Rs. 2.65 crores as against Rs. 2.03 crores, air customs for Rs. 1.52 crores and Union excise duties for Rs. 144.82 crores as against Rs. 102.08 crores.

*

Three Per Cent 1986 Conversion Loan: Shri B. R. Bhagat, Deputy Minister of Finance, told Dr. Radha Kumud Mookerjee in the Rajya Sabha recently that the extent of depreciation in the face value of 3 Per Cent 1986 Conversion Loan since its inception, on the basis of current market quotations was about 29 per cent. The total amount of the loan was Rs. 248.91 crores approximately. Asked whether Government proposed to adopt any measures to maintain the value of its primary stock to prevent loss to the subscribers of these loans, the Deputy Minister replied that the prices of Government securities depended upon the conditions of the money market and the structure of the interest rates prevailing from time to time. Fluctuations in the prices, he said, were therefore not unusual. So long as the securities were held until maturity, no loss was involved, he added.

*

Sterling Balances: The decline in the sterling balances of the Reserve Bank of India during the last three months had been significantly smaller than in the preceding three months. The weekly averages of decline were: November 1957 Rs. 3.52 crores; December 1957 Rs. 2.96 crores and January 1958 Rs. 2.87 crores. The corresponding figures for the three preceding months were Rs. 8.07 crores; Rs. 6.83 crores and Rs. 6.35 crores respectively.

*

World Bank Loan for Ports: The Deputy Minister of Finance, Shri B. R. Bhagat, replied in the affirmative to a question in the Lok Sabha whether it was a fact that negotiations were held with the World Bank for the grant of a loan for the development of ports in India. The ports concerned, he said, were Calcutta and Madras. The total foreign exchange component of the cost of the project amounting to Rs. 17.68 crores had been mentioned in the Memorandum given to the World Bank.

GENERAL

Manufacture of Synthetic Oil: In a written reply to a question by Shri Damani whether Government had taken any decision on the report of the Expert Committee constituted under the chairmanship of Dr. J. C. Ghosh to examine the feasibility of schemes for the manufacture of synthetic oil in the country, the Union Minister for Steel, Mines and Fuel, Sardar Swaran Singh, stated in Lok Sabha that the Government have examined the schemes drawn up by the Expert Committee. These schemes comprise a long-term and a short-term plan. The former envisages production of 50 million tons of domestic coke by low temperature carbonisation, together with production of bye-product oils, phenols, road tar etc., at a capital cost of Rs. 600 crores. In the short-term plan, production of about 0.8 million tons of domestic coke has been recommended with the consequential utilisation of the bye-products. The cost of this is Rs. 20 crores. While Government consider the schemes feasible, it has not been possible to make any financial provision for them so far because of the difficult foreign exchange position and the difficulty of finding even the rupee resources.

NEWS IN BRIEF

FOREIGN

Plans for a sales and promotion campaign aimed at raising British exports to West Germany to £150 million a year were announced by the Board of Trade recently. British sales on the German market have risen significantly during the last four years from £70 million in 1954 to £105 million last year.

*

The Soviet-Ceylonese trade and payments agreement signed recently is based on a revolving credit of £300,000. Debts in excess of this amount are to be settled in cash within one month.

*

Argentina is to buy \$15 million (£5,357,000) worth of Czechoslovak industrial equipment under a series of agreements signed in Prague recently. The agreements concern railway equipment, pipe-lines, rolled materials and diesel engines.

*

The US Department of Agriculture has raised price supports on the 1958 cotton crop to 81 per cent of parity. Those for 1957 were at 78 per cent. Also the Department said that the average support level for 1958 would work out at 30.75 cents a pound for middling 7-8 inch cotton, against 28.81 cents previously.

*

In a bid to conserve foreign exchange the Pakistan Government has abolished its subsidy on the sale of imported rice. The Government also decided to export superior quality home-produced rice. It spent nearly Rs. 320 million (£24 million) on subsidising imported wheat and rice in 1956-57.

*

The number of Dutch unemployed further rose in January by 19,000 to 123,000. The rise was, however, smaller than that of December. In the latest total there are 28,000 building workers and 7,600 metal workers.

*

The rate of business expansion in Austria increased in 1957, while it was slowing down in Western Europe generally. This is revealed by the latest report of the Austrian Institute for Economic Research.

*

France is to ask the World Bank for a loan of \$70 million towards the cost of improving her inland waterways. Two projects for which the money is chiefly required are development of the River Seine, and of the Canals of Northern France.

*

Details available about China's gold mining programme for the current year indicate that in addition to the revival of mining in Manchuria little worked deposits in other parts of the country are to be exploited on a large scale.

*

Pipes imported into Trinidad for the oil industry from last December 31, will be liable to customs duty. Previously, they were imported duty-free along with other mining equipment.

*

It is reported negotiations on a \$12 million loan between a World Bank Mission and Austria have been successfully concluded.

*

French industrial production broke new records in December. At 165 (1952=100) it was 14½ per cent higher than in December, 1956, and 2.4 per cent above the November figure.

INDIAN

An aluminium plant proposed to be set up in the country during the second Five-Year Plan period is likely to be located either in Katni or Ambarkantak in Madhya Pradesh which has rich deposits of bauxite.

*

The Ceiling Committee, appointed by the Rajasthan Government for the fixation of ceilings on agricultural holdings in the State, has recommended that the best method of fixing ceilings in Rajasthan would be to relate the ceilings to the income derived from the land in the possession of the cultivating family.

*

For the first time, cycle rims made by a Madras Factory, Wheel and Rim Company of India are being exported from India. In 1956, this factory turned out two and a half lakhs of rims while in 1957 the production almost doubled with a production of four and a half lakh rims.

*

The Government of India have, in accordance with the policy of promoting exports, extended and enlarged the scheme of drawback of customs duty paid on imported material used in the manufacture of a large number of exported articles.

*

It is reported India exported more than 154,000 tons of sugar last year and earned Rs. 13 crores in foreign exchange.

*

The Government of India have decided to regulate the export of base copper wires and conductors for electrical purposes on an ad hoc basis, the Joint Chief Controller of Exports, Bombay, States in a trade notice.

*

The Indian Standards Institution has issued for eliciting comments, a draft Indian standard specification for gypsum. This standard is intended to guide the trade about using the right quality of gypsum for ammonium sulphate, cement and surgical plaster industries.

*

The Minister for Industry, Shri Manubhai Shah, told the Rajya Sabha recently that 10,000 tons of cement would be supplied to East Pakistan by the end of March, 1958.

*

The Deputy Minister of Finance, Shri B. R. Bhagat, revealed in the Rajya Sabha that the total net collections under the small savings drive, during the period April, 1957, to January, 1958, amounted to Rs. 37.6 crores approximately, as against Rs. 44.8 crores during the corresponding period of the preceding year.

*

The total value of books, periodicals and newspapers imported into India during the period April to August, 1957, was Rs. 67.52 lakhs. Of this, the value of books and pamphlets was Rs. 63 lakhs, magazines and periodicals Rs. 3.02 lakhs and newspapers Rs. 1.5 lakhs.

*

An All-India poultry development scheme formulated under the second Five-Year Plan aims at establishing five regional farms and 300 demonstration and lishing centres at a cost of Rs. 258.10 lakhs. The regional farms alone will entail an expenditure of Rs. 41.20 lakhs which will be met by the Central Government.

*

The Deputy Minister of Finance, Shri B. R. Bhagat, revealed recently that 10 lakhs pieces of Rupee Travelers Cheques valued at Rs. 7 crores, in denominations of Rs. 50 and Rs. 100 had been printed so far.

Special Article

MODERN TRENDS IN INDUSTRIAL LOCATION: THEORY AND PRACTICE

By DR. N. DAS, I.C.S.

THE subject of industrial location has attracted considerable public attention in recent years—not only in India, but in practically every country in the world. Yet, the location of particular undertakings in particular areas was regarded—until the other day—either as too simple to require any detailed analysis or as too complicated to be explained by ordinary economic laws.

Mr. Alfred Weber of Germany visualised the economic factors of location as transport cost in terms of ton-miles, i.e., the weight to be carried and the distance over which it is to be carried. The best place to locate a factory was where, taking both the raw materials and the finished commodity into account, the ton-mile rate of transport was the lowest. Weber then constructed a "material index" to find out whether it is the source of raw materials supply or the market which is more preferable for the location of an industry. This index is obtained by dividing the weight of the localised material by the weight of the finished commodity. If the "material index" of an industry is high, it shows that the source of raw material supply is exerting greater pressure and would be a better place to locate an industry, but if the "material index" is low, it means that the raw material supply is not quite so important and that the industry may well be located near the market. In spite of some defects, Weber's theory of industrial location remains substantially correct even to this day.

The gaps in Weber's theory have been filled in by Predohl, Weigmann, Palander, Losch and Ohlin. While Weber spoke of three basic location forces, viz., transport cost differentials, labour cost differentials, and agglomeration (or deglomeration) economies and diseconomies, the others who came after him stressed the spatial aspect of economic development. The economic, technological and demographic forces combine to form different "gestalts" in different regions: the ultimate location of an industry in a particular region is the resultant of the inter-relationship of variables like economic differences (e.g., differences in prices and markets), cost differences (e.g., differences of productivity, differences in transport costs and differences in accessibility), human differences (e.g., differences among individual entrepreneurs) and differences in national character and environment.

To come now to the actual location of industries in certain specified regions, this was, in the past, the result of a combination of factors largely geographic in origin, e.g., availability of raw materials and labour, easy access to power, existence of a fairly wide and stable market. In the production of certain goods (e.g. jute manufactures, tea industry, coal mining, etc.), natural resources have been more important. In other industries, other factors like nearness to markets, supply of labour, capital available for investment or a favourable climate have played a more decisive role. Even so, the location of industry depended, in the words of Ohlin, not so much on these absolute factors, but on the transport relation of each place and product with regard to natural resources, and on the distribution of productive powers, such as labour, capital and organisation, which govern the distribution of consumers' markets. Now, the progress of industrial invention perpetually changes the economic import of physical conditions and hence the transport relations of places and products with regard to natural resources and other factors. As a result, the location of an industry may change.

In recent years, the State has been taking an increasingly greater interest in the location of new industries. In the UK, for example, Government have been consciously trying to find a solution to the problems of the so-called "depressed" areas on the one hand (areas which were once the hub of industrial activity but which are threatened with the problem of unemployment as a result of new technological developments) and to encourage balanced growth of industries in new areas, on the other. The setting up of new townships and industrial estates in that country and of giant corporations in hitherto obscure areas in West Germany, Italy and France, are examples of the latter type of development.

Countries with a socialistic approach are able to guide the location of industries more effectively, because they control the operation of economic forces much more directly than capitalist countries. One has only to recall the conscious planning of industrial regions in the USSR and China to appreciate the truth of this statement. In these countries, the State brings into operation various "agglomerating" tendencies and plays down "deglomerating" factors, with the result that the pattern of "natural" factor costs is altered almost beyond recognition. Not infrequently, strategic considerations also play an important part in the location of industries.

Why do Governments take such an active part in determining the location of industries today? They do so because excessive specialisation and dependence on one or two industries carry with them great risks. Secondly, there is need for balanced development of various parts of the country. As has been emphasised in the new Industrial Policy Resolution of April 30, 1956, "in order that industrialisation may benefit the economy of the country as a whole, it is important that disparities in levels of development between different regions should be progressively reduced. Concentration of industries in certain areas in the past has been due to (a) availability of necessary raw materials or other natural resources and (b) ready availability of power, water supply and transport facilities. But areas which are at present lagging behind need not remain so for ever". This also fits into the objectives of the second Five-Year Plan, particularly the objective to secure a more even distribution of economic power.

It is in this context that the passions and jealousies roused by Government's decision to locate particular industries in particular areas (whether in the public or in the private sector) lose much of their economic significance. Those who argue heatedly against the location of a steel plant in Orissa or an oil refinery in Assam forget that the disadvantages of comparative cost are only a reflection of the lack of basic development. Once basic development is taken in hand, the initial handicaps progressively disappear. A wide diffusion of development nuclei helps, rather than retards, rational location of industries.

Let us step back for a while and take a historical view of the pattern of industrial location in our country. Until lately, industry was concentrated in or round about the port towns of Calcutta and Bombay and, to some extent, Kanpur, because these were the centres where entrepreneurial talent (as embodied in the managing agency system) and capital were available. They were also important railway junctions, with the result that they had considerable advantages over other centres in the matter of assembly of raw materials and distribution costs.

In the course of years, these "agglomerating" factors were partly neutralised by other factors operating in favour of other areas. New raw materials began to be exploited and, with the further expansion of transport facilities, Bombay and Calcutta ceased to have the monopoly of industrial location they once had.

Some "deglomerating" factors have also been at work. This is particularly true in the case of Bengal. One may bewail the fact that Bengal is fast losing in the race for industrial development, but one would do well to probe into certain unpleasant facts. As against certain natural advantages which Calcutta still enjoys, the impartial student of economic progress cannot but take into account such "deglomerating" factors as high rents, high rates of wages, constant labour unrest, the relative dearth of local entrepreneurial ability, and the loss of an important market in East Pakistan.

An important point to be borne in mind in all discussions of industrial location is that physical, environmental or socio-economic factors have value as conducive agents, only with reference to a given or assumed state of technology and, in particular, of transport technology. We are already seeing the tremendous changes which have been brought about by hydro-electricity. The harnessing of atomic energy, with the possibility of nuclear power being produced on a competitive basis, may make great changes in the pattern of industrial location. If this power can be transported as cheaply as, if not more cheaply than, conventionally produced power, still greater changes might occur. Automation and use of electronics would similarly have a profound effect on future industrial location in every country.

What does all this add up to? It means that industry shifts from locality to locality with concomitant increases in productivity (caused by both human and technological factors), gross output and degree of specialisation. Trade internal to each region also changes and a hierarchical order of trade relations develops. The State can exercise considerable influence in channelising these changes in specified directions—to the good of the entire community.

We may come to another conclusion, viz., that a programme of decentralisation must be geared to the

anticipated 'future' geographic, economic and social organisation of a country or region, and not just to 'current' demands. Decentralisation policy is partly a 'deviational' policy, a policy designed to accelerate certain tendencies and strengthen the effectiveness of certain forces, not all necessarily centrifugal, but in accordance with certain values considered to be in the national interest.

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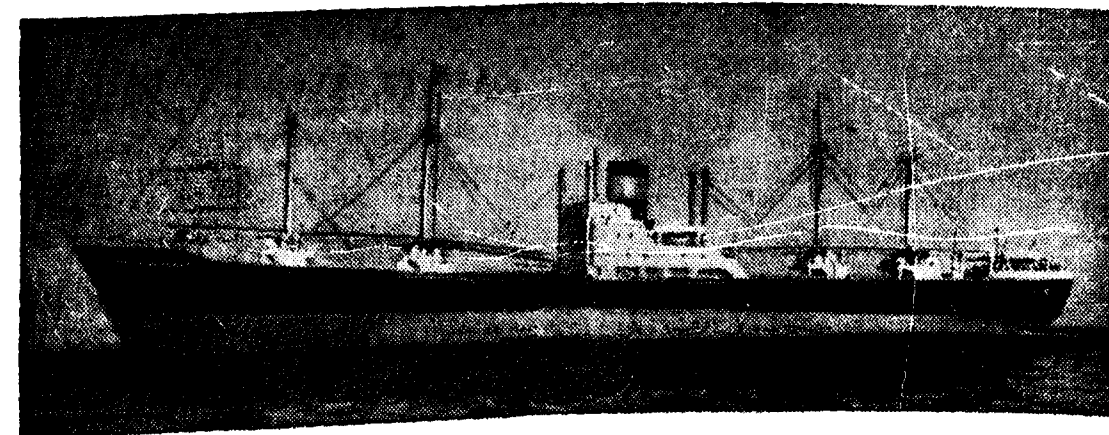
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The Business World

CAUTION TO CO-OPERATORS

By CROESUS

THE words "more is meant than meets the ear" are particularly applicable to what Sir Malcolm Darling, Colombo Plan Consultant to the Panning Commission, has had to say about what is at stake in the field of co-operation in his report on "Certain Aspects of the Co-operative Movement in India". "It has long been my belief," observes Sir Malcolm, "that co-operation is the only satisfactory means of securing the peasant's well-being in this complicated modern world. But, if this faith is to be justified, **nothing must be done to endanger the movement, particularly at the primary level, where it has its real being. Too much is at stake and too many millions affected.**" A similar note of caution has been sounded by him, when, for instance, while not doubting "the wisdom of attempting so much in so short a time," he says that "a study of the co-operative movement for the five years ending 1954-55 shows that the results are not very reassuring." Nor is he satisfied that the development of the movement has been reasonably uniform in all the regions, wherefore his advice that there should be a slowing down of speed so that in the case of the less developed regions some more time may be allowed to reach the targets.

It is bearing this in mind that our co-operators should proceed further with their programmes of expansion, and it is hoped that they will do so. In this context, Sir Malcolm has done exceedingly well in concentrating on the question whether the co-operative departments in the different States are sufficiently well-equipped to carry out all that is expected of them under the second Five-Year Plan. And his authentic and dispassionate views deserve to be carefully considered. Perhaps the one aspect that needs the utmost attention, and that immediately, is that relating to the steady decrease in the share of owned funds and deposits to the working capital and the alarming increase of overdue loans and interest. One thought that, with the recent sharp increase in the supply of credit and of loans advanced, overdues would tend to register a perceptible decline. That this has not happened is a most unsatisfactory trend, in all conscience. Fresh funds are pumped to expand the credit available to co-operatives in practically every sphere, especial the agricultural sphere with little regard to "absorptive capacity". As Sir Malcolm rightly points out, the main emphasis seems to be on achieving targets in making credit available and neither in ensuring that the credit thus made available is effectively employed nor in making prompt recoveries of the credit extended, as the Planning Commission's Study Team on Plan projects (Chairman: Mr. Balwantrai Mehta) has also brought out recently. Accordingly, his prescription, which is both timely and proper, is that there must be an experienced officer whose duty it should be "to keep in close touch with the movement in each State, watch all developments under the Plan and, by his advice, locally and at headquarters, ensure that soundness is not sacrificed to pace and that, while targets are respected, they are not venerated."

Just as it is fundamentally unsound to attempt to do too many things and too much at one and the same time, it seems to be Sir Malcolm's view — or is it apprehension? — also that, in the process of hankering after large societies, the small societies must not be sacrificed. It is significant that he calls for special efforts in this behalf. Says Sir Malcolm: "I stress the necessity of a special effort, since, with so many new types of societies to develop, there is a definite risk of too much attention being given to the new and too little to the old..... Important as the new may be (mark the expression "May be"), it is even more important to strengthen the innumerable Thrift and Credit

Societies, upon which must for many years depend the main strength of the movement".

"Croesus" has reason to feel flattered that his fears about various types of non-agricultural credit societies are shared by so competent an authority on Co-operation as Sir Malcolm. His study of some of these seems to have convinced him, as it must anyone, that "many of them are not genuine co-operatives, but have been formed to further personal interests and to get more financial assistance".

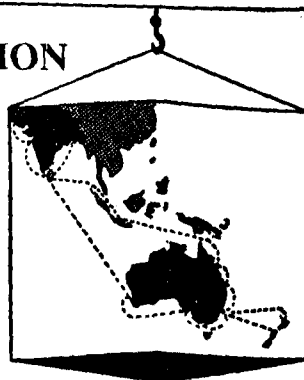
It is also noteworthy that, while dealing with collective farming, Sir Malcolm has expressed the view that "much more attention should be paid to co-operative farming on an individual basis," considering the difficulties in forming true societies of this type. Perhaps the full Report has more to say on this subject.

As regards training, while the Colombo Plan Consultant to the Planning Commission, is satisfied with the training system that has been built up by the Central Committee for Co-operative Training, he is not sure that it is able to give personnel the necessary experience for successful work in the different spheres of human relations presented by co-operation. The detailed recommendations he makes for giving a suitable reorientation in the selection of those that are put in charge of training are of particular significance.

One would like to know the observations of Sir Malcolm, if any, on the organisation of industrial co-operatives and the employment of co-operatives as agencies of the State Trading Corporation. The summary available now only notes that, even in regard to technicians employed by co-operatives some prior training in theory, history and practice, co-operation is absolutely necessary. Stretching this logic, would it be incorrect to ask: is it not equally, if not even more, important that, before co-operatives take to industries, the personnel of the concerned co-operatives ought to receive prior training in the industries selected for employing the co-operative approach?

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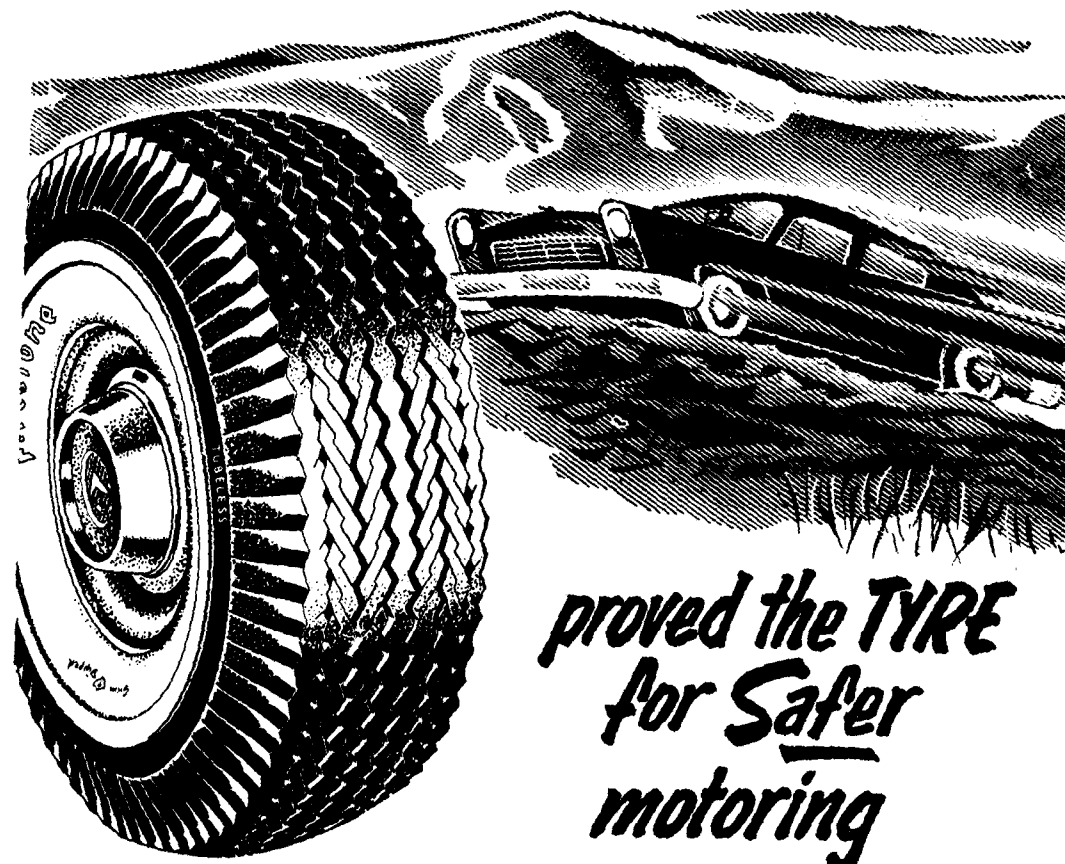
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savings campaign more popular and here Mr. Taleyar-khan's suggestions undoubtedly merit serious attention.

BALANCE OF PAYMENTS

AN ARTICLE on 'India's balance of payments: First half 1957-58' appearing in the January issue of the 'Reserve Bank of India Bulletin', reveals the interesting fact that the flood of imports was heaviest during the six months ending September 1957. The gap between current receipts and payments more than doubled from Rs. 126 crores in April-September 1956 to Rs. 298 crores and the main source of finance for this large deficit was chiefly the foreign exchange reserves which were drawn down by Rs. 174 crores. The main reason for the deficit was of course the continued high rate of imports but unlike both halves of 1956-57 when the bulk of the increase was associated with the private sector, the rise in this half year is attributable wholly to increased spending in the public sector. What happened actually was a reduction in the imports of the private sector of some Rs. 20 crores when compared to the period October 1956 to March 1957. This was obviously due to the various restrictive policies pursued earlier which had by now begun to bear fruit. Thus while commercial imports showed a rise of Rs. 6.3 crores in the first quarter, there was a fall of Rs. 18.5 crores in the second quarter. Imports on Government account however continued to rise during the half year under review and were as much as Rs. 238.7 crores i.e. Rs. 153.5 crores more than in the corresponding period a year ago.

The article also reveals that a feature that should cause some concern was the unusually low level of export receipts in this half year despite Government efforts at active export promotion. Thus exports declined by Rs. 21 crores as compared to the corresponding period of the preceding year and by as much as Rs. 82 crores if compared to the period October 1956 to March, 1957. Tea and Jute manufactures were the commodities particularly affected consequent on the emergence of recessionary trends in world commodity markets. Since the end of September last, there has been a steady decline in the foreign balances and the position seems to have eased since then. The improvement was the result of measures taken in the last months of 1957 to conserve foreign exchange including curtailment of imports and the negotiation of credits from abroad. The weekly averages of decline in the sterling balances during November and December 1957 and January 1958 were respectively Rs. 3.52 crores, Rs. 2.96 crores and Rs. 2.87 crores. The corresponding figures for the three previous months were Rs. 8.07 crores, Rs. 6.83 crores and Rs. 6.35 crores. The Finance Minister indicated in the Lok Sabha during the last week-end that the release of sterling pensions to the tune of 16 million pounds would augment the country's sterling resources. He pointed out that out of these, four million pounds sterling would in any case have come to India on April 1, 1958, but the addition of the other 12 million would be substantial addition to the sterling balances. Thus the future outlook can be termed, if not rosy, at least hopeful on the foreign exchange front.

OUTLOOK FOR SCINDIA

IN HIS speech to the annual general meeting of the Scindia Steam Navigation Co., Ltd., Mr. Dharamsey M. Khatau, Chairman, gave on the whole a hopeful picture for the coming year for the company. Thanks to the improvement in working at ports, the turn-round had improved and he expected that more voyages would be completed due to their placing newer and faster ships in service. The operating results for the six months ending December last year had been satisfactory and the company expected improved earnings in the carriage

of coastal cargoes. He voiced a complaint that in regard to the carriage of rice from Burma to India aggregating four lakh tons in the current year, the rate of freight as agreed by the Government was far from economic as it hit essential Liner Companies like theirs which had not hesitated in the past, to carry rice cargoes at comparatively lower rates even when the tramp freights were at a high level.

Mr. Khatau further drew attention to the fact that the persistent low level of tramp rates in the overseas trades had affected the Liner rates on bulk cargoes like ores, fertilizers, oil-cake, bulk oil, scrap etc. This downward trend in rates, he was afraid, would have some impact on the working results for 1958-59 and added to this the import restrictions and the delayed announcements in regard to export quotas would also affect the availabilities of cargoes in the Liner trades. But in view of the anxiety of the Government to earn foreign exchange, he was sure that the question of exports would receive careful attention. Therefore their Liner services could hope to get a reasonable support in the years to come with the general expansion in trade. Mr. Khatau also pointed out that with lesser number of ships available for coastal and adjacent trades as compared to the previous year due to the sale of old units employed, they carried less cargo during the year. But the freight earnings showed an increase due to larger imports of rice from Burma and due to the freight increase of 15 per cent on general cargoes and coal. He, however, mentioned that while this increase helped them to meet to some extent the rising operating costs, still it fell short of the request of 28 per cent increase made by the coastal shipowners. With regard to overseas trade, the India-USSR service which they started last year was still meeting with some operational difficulties and Mr. Khatau hoped that the Government would take an early decision on their request for increasing the freight rates suitably.

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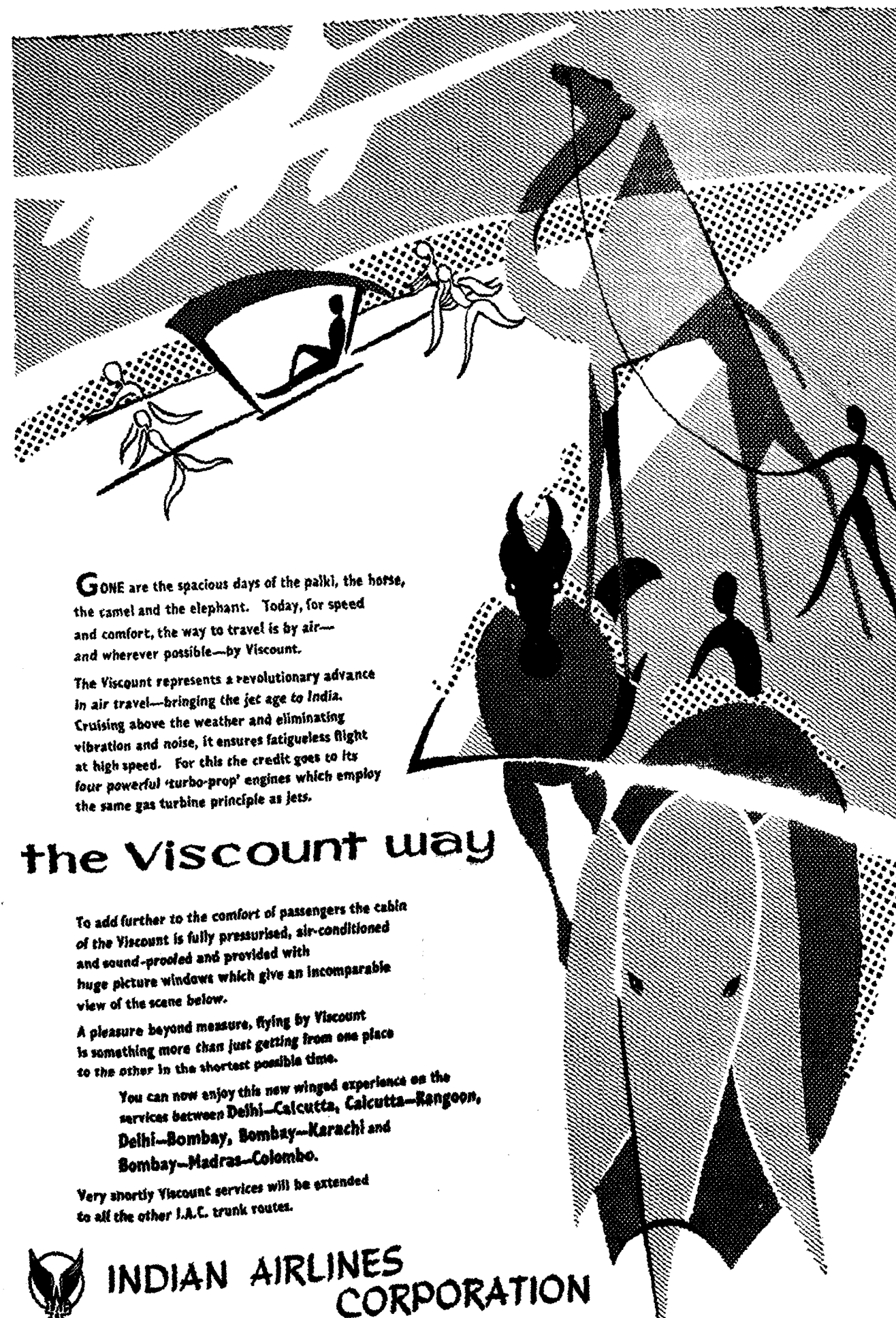
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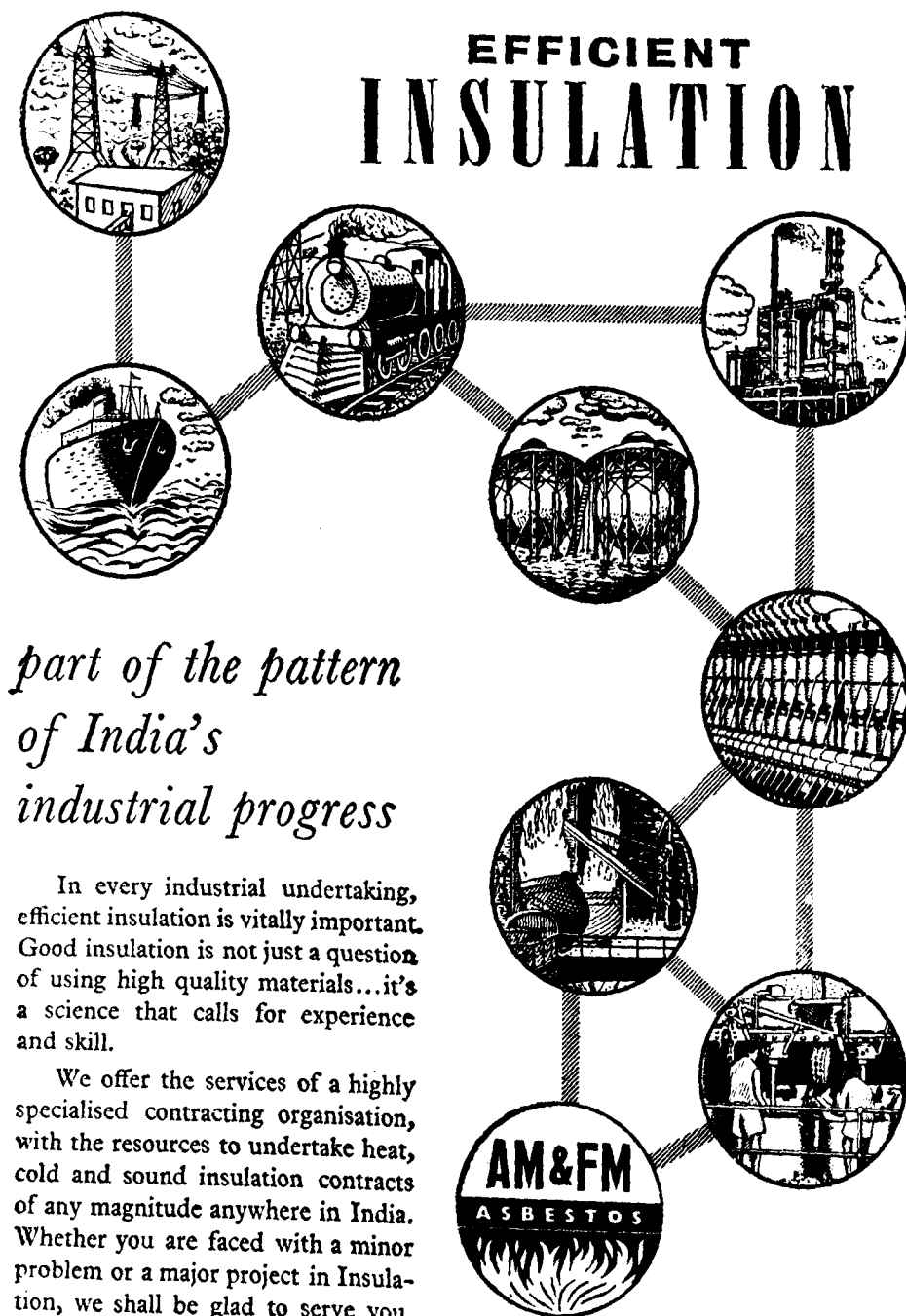
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COMMODITY NEWS AND NOTES

JUTE ACREAGE AND OUTPUT

The area to be cultivated under jute in India during 1958-59 has been fixed at 20.76 lakhs acres. This represents an increase of 3.22 lakhs acres or 18.4 per cent over the previous year's acreage and is expected to produce crop of 51.43 lakh bales, a rise of 10.45 lakhs bales or 25.8 per cent over the final estimate of 40.88 lakh bales for 1957-58. State-wise, the breakdown of acreage is: West Bengal —8 lakh bales; Bihar 6.65; Assam 3.80 lakh; Orissa—1.25 lakh; U.P. 56,000 and Tripura—60,000. The respective production target for the States is shown as 20 lakh bales 13.80 lakh bales, 11.78 lakh bales, 3 lakh bales, 1.25 lakh bales, and 1.60 lakh bales. In recommending increased sowings, the Supervisory Body pointed out that the acreage figure represented the outer limit of area expansion. Efforts of the States should be directed toward achieving the production target by improving the yield per acre, which at present was very low and for some regions indicated a progressive downtrend, through adoption of improved cultivation methods.

Emphasis was laid on the factor of jute's pronounced responsiveness to treatment with nitrogenous fertilizers and use of ammonium sulphate as a means of increasing yield. Noting that the progress of application of fertilizers has been slow, the meeting recommended intensification of efforts during the current year for popularizing ammonium sulphate. To minimize delay in distribution and possible transport 'bottlenecks,' the meeting suggested some streamlining of the procedure for allocation of fertilizers by the Centre to the States. The States were directed to furnish statements well in advance of a sowing season, specifying their requirements of fertilizer exclusively for jute crop and showing a monthly break-up. It was also decided that in the event of delay in dispatching fertilizers from the 1958-59 allotment the States requiring immediate supply for jute could utilize stocks carried over from 1957-58. Depletion of the common pool of fertilizers caused by withdrawals for jute would be made good by the Centre by early replenishment. The Supervisory Body also approved in principle a scheme prepared by the Chief Jute Development Officer, Government of India, to enlist the assistance and co-operation of recognized seed dealers in multiplication of improved jute strains. The scheme envisages registering a chain of dealers who will multiply improved jute seeds through their own agencies under strict supervision of the State jute development staff.

IRON ORE EXPORTS BY S.T.C.

The State Trading Corporation of India has entered into contracts with foreign buyers for the supply of a total quantity of 2,343,960 tons of iron ore during the period July 1957-June 1958. The countries to which the iron ore would be supplied under the contracts were Japan, Czechoslovakia, Italy, Poland, Hungary, Yugoslavia and East and West Germany. The value of the total quantity was about Rs. 12.29 crores. Shri Kanungo revealed recently that State Trading Corporation had made adequate arrangements for stocking of ore at ports in their own plots as well as in the plots of their suppliers. Available railway capacity was kept in view while entering into commitments, he added. During the first year of its working the STC exported slightly over 4.3 lakh tons iron ore to six countries, the value of which was a little over Rs. 2.36 crores.

STANDARD FOR FERRO MANGANESE

The Indian Standards Institution has published an Indian standard specification for ferro manganese, IS: 1171-1957. Ferro manganese is used for adding manganese to steel for the purpose of alloying, or de-oxidizing and cleansing. This standard covers 12 grades of ferro manganese, and lays down requirements

in respect of chemical composition, chemical analysis and tests. Copies of this standard, in English, can be had from the Indian Standards Institution, Manak Bhavan, 9 Mathura Road, New Delhi-1 and from its branch offices at (i) 40/40A Cawasji Patel Street, Fort, Bombay; (ii) P-11 Mission Row Extension, Calcutta; and (iii) 23 Nungambakkam High Road, Madras-6.

SHORTFALL IN US COTTON EXPORT

The Agriculture Department of the United States has predicted that US cotton exports would decline this year from the high level of last year and foreign cotton markets would recover some of the ground lost to the US staple. During the 1957-58 season US exports are expected to decline about one-fourth from 1956-57," the Department said in its monthly publication, "The Cotton Situation."

"Foreign exports are expected to recover to about their average level of the previous five years, due to high consumption in importing countries, an increase in foreign production, and reduced prices for Egyptian and Sudanese stocks. Consequently, the proportion of the world market held by US cotton probably will decline to somewhat under 40 per cent." The Department said it expected cotton exports this year to total "close to 5.5 million bales." These, it added, would be larger than for any other marketing years since 1951-52 but well below the 7.6 million bales exported in the 1956-57 cotton year. "The rate of exports which prevailed during the first four months of the season is not expected to continue during the entire season," the Department declared. The Department said that disappearance of cotton in the USA this marketing year would be about 13.5 million bales compared with 16.2 million bales last season. "Domestic mill consumption in the first five months of this season was at the lowest level since 1939," it added. "The total for the marketing year probably will be around 8 million bales, about 600,000 bales smaller than consumption during the preceding season." One of the reasons given for the decline in consumption, said the Department, was that stocks of gray goods had been high in relation to unfilled orders for several months.

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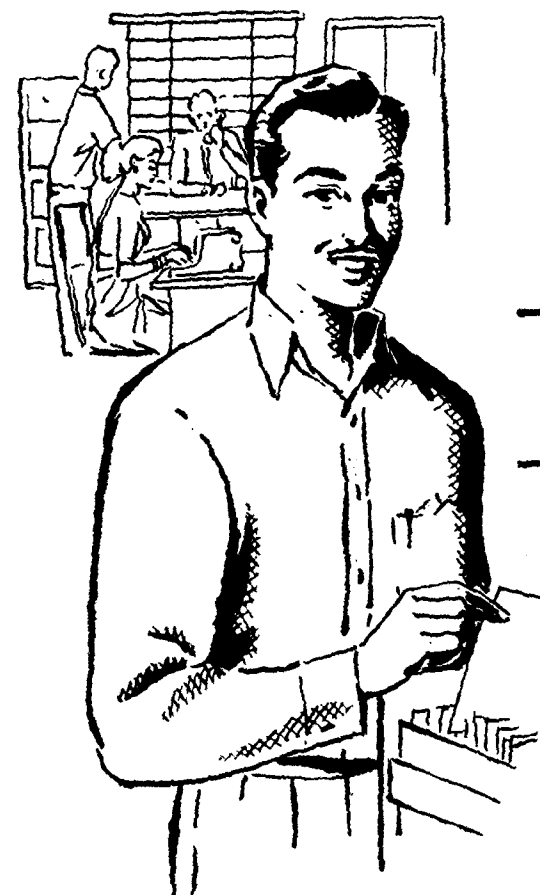
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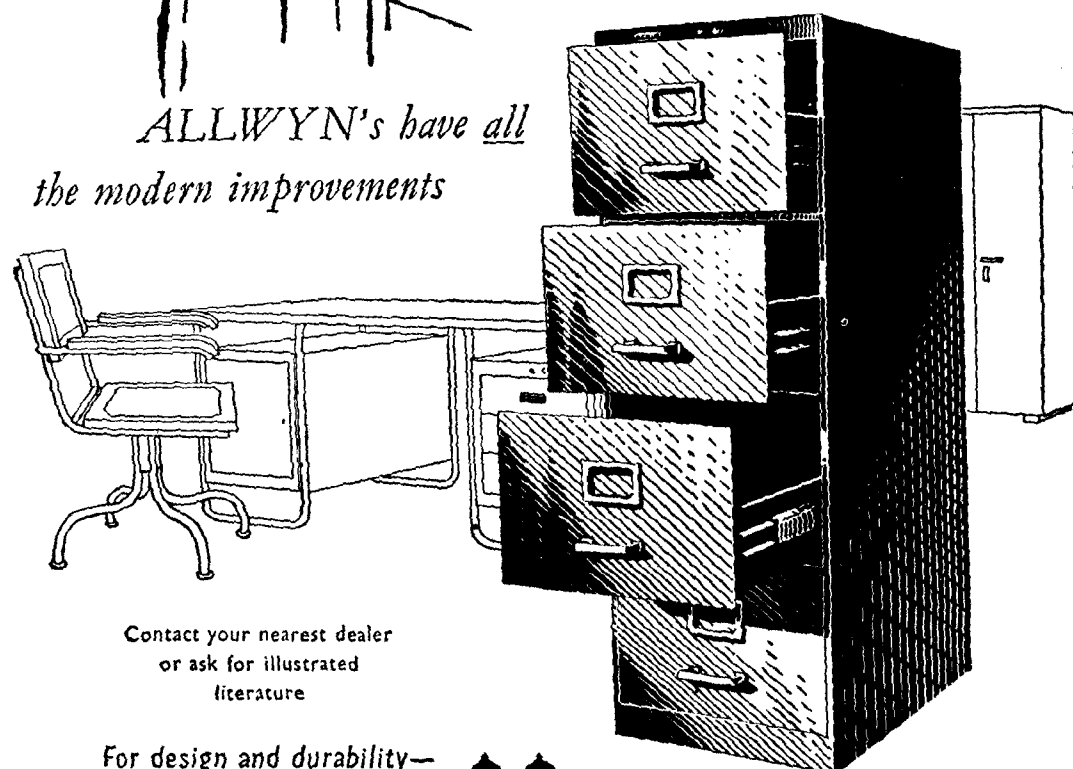
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The following is the speech delivered by the Chairman, Shri Dharamsey M. Khatau, at the 38th Ordinary General Meeting of the Scindia Steam Navigation Co., Ltd., held on Wednesday, the 19th February, 1958.

ACCOUNTS

"In my speech I had informed you last year that the working results for the year 1956-57 would be satisfactory compared with the previous year and I am happy to be able to report that our expectations have been fully realised. Our gross earnings of freight have shown an increase of about 20 per cent even though during the year under review the cargo lifted by your vessels was only 18.67 lakhs tons as against 19.15 lakh tons last year.

"In spite of enhanced and rising costs of operation the improved results have enabled your Company to pay a dividend of Rs. 1.25 per share.

COASTAL AND ADJACENT TRADES

"With the lesser number of ships available for these trades as compared to the previous year, we carried less cargo during the year. The freight earnings, however, show an increase due to larger imports of rice from Burma and due to the freight increase of 15 per cent on general cargoes and coal as recommended by the Rail-Sea Co-ordination Committee. The freight earnings would have been better had the increase recommended by the Rail-Sea Co-ordination Committee been made effective by Government on salt cargoes carried by your vessels. The sanctioned increase in freight rates, referred to above, have helped us in meeting, to some extent, the rising operating costs, but they still fall short of the request of 28 per cent increase made by the Coastal shipowners.

OVERSEAS TRADES

"With the addition of new and faster ships in the trade, it was expected that our liftings would increase proportionately. Unfortunately, however, owing to the closure of the Suez Canal, our voyages were longer with the result that our liftings increased only by about 5 per cent.

"The India/U.S.S.R. Service, which we started last year, is still meeting with some operational difficulties, and we have requested our Government to increase the freight rates suitably.

"The India/West Africa service, to which I referred last year, has found favour with the exporters from the West Coast as it provides regular direct sailings at lower rates.

OPERATING EXPENSES

"In view of the greater number of 8 and 12 yearly surveys in 1956-57, repairs, surveys and dry-docking charges show a considerable rise over the preceding year. Our fuel bill shows a rise due to the deviation of some of the voyages via the Cape and the increased cost of fuel oil consequent upon the Suez crisis, apart

from the two extra voyages performed in the year under review. The implementation of piece-rate scheme at Bombay has brought an increase in the stevedoring charges which, to some extent, could be set off against the improved despatch obtained.

"In view of the demand made by the National Union of Seamen of India for a rise in wages and for certain other benefits, a 10 per cent increase in wages and certain benefits were agreed to, and will cost us about Rs. 5 lakhs per annum.

PORT CONDITIONS

"Shipowners had to put up with considerable delays at some of the Indian ports due not only to monsoon conditions but also to unphased imports of fertilisers, food grains, iron and steel and other Plan cargoes. It is hoped that the good record recently established in the working at different ports will be continuously maintained.

TONNAGE PROGRAMME

"With the delivery of the six 17-knot fast ships from the Lubeck Shipyard, we have now with us 44 ships aggregating 2,36,532 GRT. Delivery of two ships ex the Vizag Shipyard has been considerably delayed and one of these will be handed over to us next month and the other in June this year. Two faster ships on order with the Lubeck Yard are expected to be delivered to us in 1959 and 1960.

"We shall have to replace eight Liberty ships and five other old ships. Looking to the depressed state of the freight market and the easier position in regard to placing of orders for new tonnage, the present seems to be an appropriate time to acquire tonnage to provide for replacements and expansion. We trust that as a result of the efforts being made by our Transport Minister, it will be possible for Government to release some foreign exchange for acquisition of tonnage.

PROSPECTS FOR THE CURRENT YEAR

"With the improvement in working at ports our turn-round has improved, and we expect more voyages to be completed due to our placing newer and faster ships in service. Our operating results as up to the six months ending December 31, 1957, have been satisfactory. We expect improved earnings in the carriage of coastal cargoes. In regard to the carriage of rice from Burma to India aggregating four lakh tons in the current year, the rate of freight as agreed by the Government of India is far from economic.

"The persistent very low level of tramp rates in the overseas trades has affected the Liner rates on bulk cargoes like ores, fertilizers, oil-cake, bulk-oil, scrap etc., and the effects of this downward trend in rates

will have some impact on the working results for 1958-59.

GOVERNMENT AND SHIPPING

"The Indian shipowners were considerably agitated over the Wealth and other taxes introduced by the Government last year. I am, however, glad to inform you that due to the efforts of Shrimati Sumati Morarjee and particularly the able advocacy of Mr. M. A. Master before the Select Committee, Indian shipping companies were able to obtain exemption from the Wealth Tax. We are now making every effort to obtain exemption from the Capital Gains Tax.

"As on January 1, 1957, India had 124 ships of 5,17,300 GRT; ten ships aggregating 69,017 GRT., were added during 1957. On January 1, 1958, there were under construction or on order twentythree ships of 1,38,100 GRT. in Indian and foreign shipyards. Two second-hand ships of 9,879 GRT were purchased for delivery in 1958. With these acquisitions the Indian Registered tonnage would reach a total of 159 ships of 7,24,296 GRT. By 1960-61 about 90,000 GRT. will be due to be scrapped or sold and India would, therefore, still need about 2,55,000 GRT. to reach even the very low and modest target of nine lakhs GRT. as fixed by the Planning Commission. It was, therefore, heartening to hear the very encouraging remarks from our Transport Minister, Shri Lal Bahadur Shastri, at the General Meeting of the Indian National Steamship Owners' Association in December last. I particularly value his very encouraging observations about the Shipping Development Fund, reduction in the rate of interest on loans granted to shipping companies for the acquisition of Coastal ships and the hopes that he has held out for an increase in the Development Rebate Allowance. The Transport Minister further made certain proposals in regard to the availability of cargoes to be moved in Indian ships and we are happy to note that thanks to his efforts and the co-operation of the other Ministries in the Government of India, a Shipping Co-ordination Committee has been constituted. Indian shipowners are indeed very grateful for the very sympathetic understanding of our difficulties and the steps taken to resolve the same. We are sure, with the presentation of the next budget, we may see further implementation of some of the proposals made.

BONUS SHARES

"I may inform you that, consequent on the receipt of the sanction of the Controller of Capital Issues, allotment letters in respect of Bonus Shares are being got ready and will be sent to Shareholders shortly."

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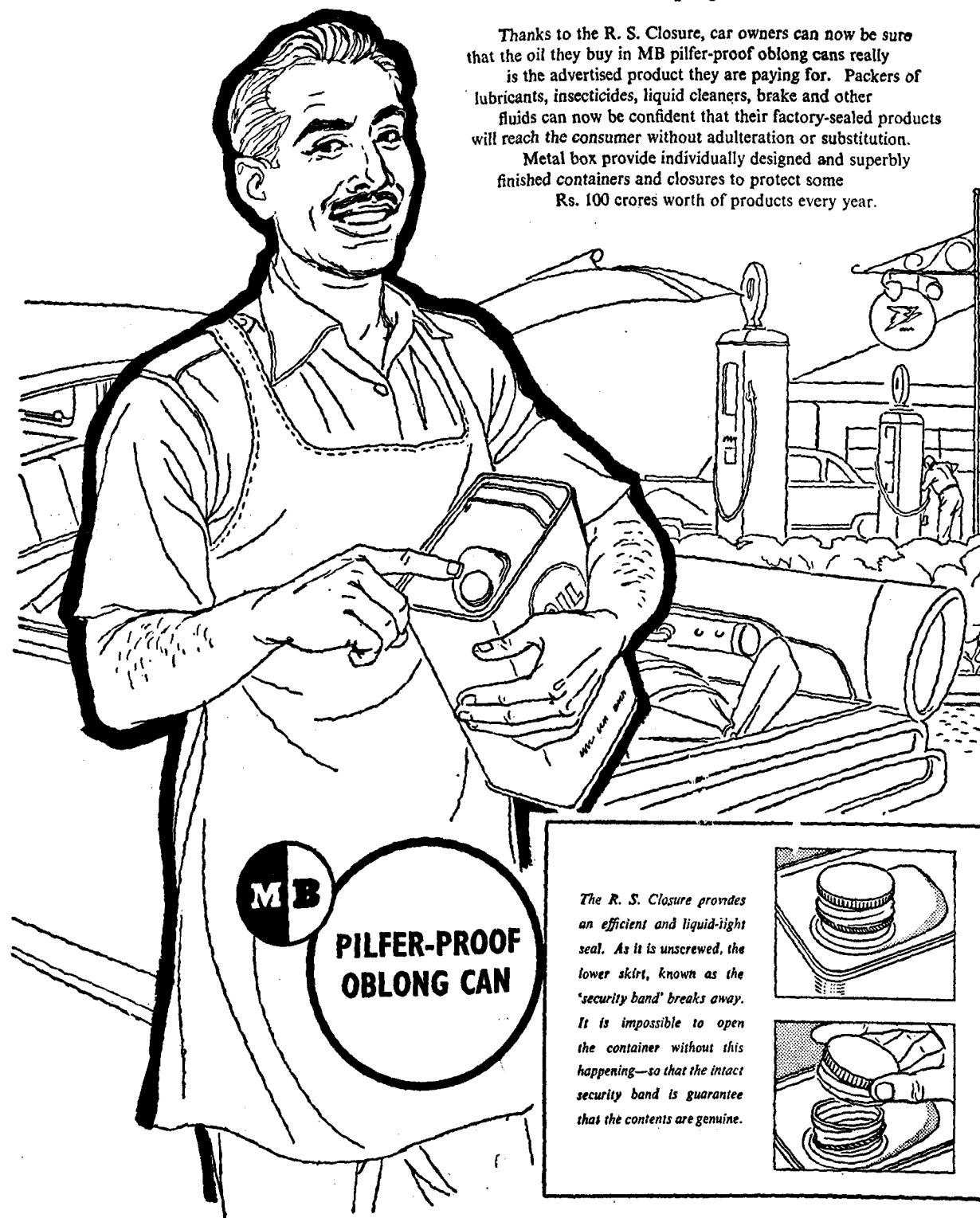
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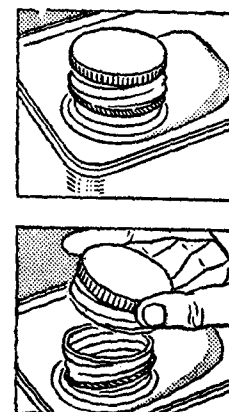
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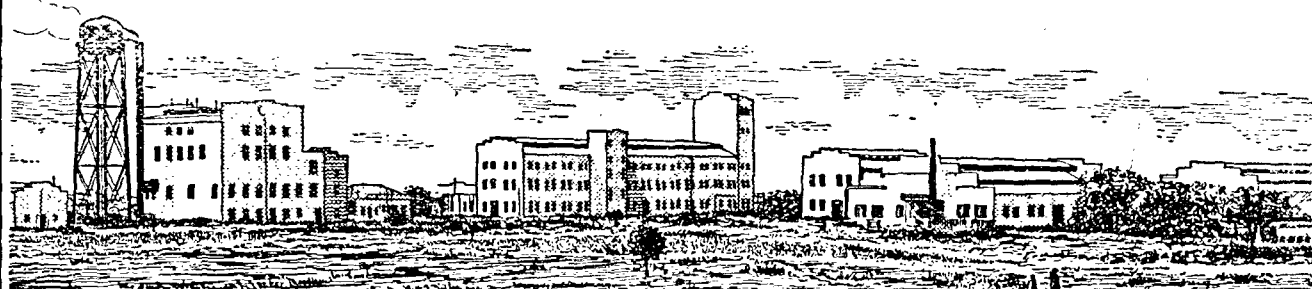
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The Eastern Economist

VOL. XXX. NO. 9.

NEW DELHI: FEBRUARY 28, 1958.

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Maulana Abul Kalam Azad

THE passing last Saturday of Maulana Abul Kalam Azad has been the occasion all over the country for the most profound tributes to a great son of India. Some of these are so fulsome in admiration and so passionate in sorrow that they may have raised, at least among foreigners, the feeling that they cannot be entirely genuine. It is quite true that, for many Westerners, the language used has been excessive. We in the East tend to deliver ourselves over to the passions of the moment. Thus death will always distort the

immediate perspective; it is made to look so much like the end of all, when it is the end of a single life. But it would be wrong to underestimate the truly national grief that his passing has aroused; the deeper loss his most intimate circle has felt has been literally heart-breaking. The Maulana was known and loved not merely for his tremendous sacrifices in the national movement, but also for his quiet humour, his great sense of proportion, and his devotion to scholarship even when it was known that his health could not

endure the tremendous pressure he placed upon his ailing body. He hastened his departure by his passion for excessive work.

While the nation does in fact owe him a tremendous debt, his passing should not have been the occasion for a disproportionate assessment of his place in India's current or future life. As the great leaders of the Indian national movement depart one after another, the Indian people sense the passing of the Gandhian Age. As by a process of echo, each personal loss is magnified into a historical tragedy. This is not, indeed, the case. The Gandhian Age has already ended; and, indeed, in a large sense, has the major purpose of the lives of the great leaders in the Indian Union who won independence for the Indian people, and have either handed on, or are in the process of handing on, the torch to those more adjusted to the thought and exacting demands of consolidating the Revolution. The great Maulana, for all his scholarship and his political skill, had done his best work before Independence. After Independence, it was as a counsellor to the Congress Party and to the Prime Minister in particular, that he had an enduring place. It is wholly wrong that one should look upon those who have lived their allotted span as the only pillars on which the Indian Union is to be built. If this were true that we had little strength, except in half a dozen national leaders who are either near or past three score and ten, the future of this great nation would be bleak.

The future of the Indian people is not bleak. For it does not rest upon the few, but upon the many. That was the secret and the power of the Gandhian Age. A nation which becomes too closely identified with its leaders is due for death as inevitably as its leaders, who are gifted with no power of immortality. We should, as always, pay a deep tribute to services that are rendered to this nation, but never give ourselves over to passionate loss assuming that the nation's strength and that of its leaders are identical. Maulana Azad, like Mahatma Gandhi, himself would not have wished us to take so tragic, and unhistorical, view of a deep personal loss. It is the part of a great nation quickly to dry its tears; and to hasten

to give to younger shoulders the burden which, from time to time, age, and then, from time to time, death, takes from those, who have already borne more than their fair share of the trials which should be borne by all.

In the passing of this great patriot and scholar, India should mourn the absence of his great qualities of patriotism and profound scholarship. There is no greater tribute that we can pay to the Maulana than to develop those great qualities which we saw so pre-eminently in him and miss so much in ourselves. He stood for more than his own creed. But we should make it clear by our deeds that, for the brief period that the Muslim community has lost a representative in the Indian Cabinet, what is due to the minorities will in no way decline. Irrespective of whether or not Muslims in this country desire a Muslim Cabinet Minister, one should be immediately appointed in order that it should be known that the particular culture of the Muslim world, of which he was so great an exponent, will find its expression in the highest counsels of the State. This might well be the occasion to give also to the Christian community representation to which, it feels, it is entitled. The language of the Secular State should not blind us to the point that accessibility of the minorities to Ministers is limited when the minorities have complaints, real or imaginary, against the majority community. This is a simple fact which a Secular State, like every other, needs to take into account.

The suggestion that there should be a memorial to Maulana Azad has been appropriately received. It is right that his memorial should take the form of a tribute to Arabic and Urdu learning, which in the age of Hindi, may suffer both consciously and unconsciously from neglect. It is sincerely to be hoped that those who in this age have the responsibility for patronage of the arts — and their number may dwindle rapidly with the Wealth Tax — will find it possible to erect a fitting tribute to one of the greatest scholars of our time. His scholarship has been described as composite. So was his life. Let our monument to composite culture and scholarship speak with a voice as great as his own.

Thoughts before D-Day

BETWEEN May 15, 1957 and now much water has flowed under the bridge. The budget proposals of May last year were as drastic in their effects, financial as well as psychological, as they were strategic in the manner in which they took the public citadel by storm. It is premature to come to the conclusion that the shock which they administered has been absorbed. The economy is still striving to recover from it. How powerful the shock would be was probably not fully realised when a volley of tax proposals was discharged in one single deal. But sober thoughts asserted themselves after a time at least. Expounding the philosophy behind his off-season tax proposals of September 1956, Mr. Krishnamachari had maintained with not a little dogmatism that the Finance Minister would approach Parliament for fresh taxation whenever occasion so demanded and he could not be fettered by the past convention. This assertion was enough to keep the sword of uncertainty dangling over the head. But happily this approach has been reversed, and reversed in a satisfactory measure. Mr. Krishnamachari has given the assurance that the new shape which was to be given to the tax structure has been

completed and what would be done during the rest of the period of the second Plan would be no more than marginal adjustments. This assurance leaves little room for speculation as to what the budget for the ensuing fiscal year has in store for the nation.

Nevertheless, major interest naturally centres round the prospects for the coming year. In what manner the adjustments, within whatever limits, will possibly be made must continue to arouse curiosity not unmixed with a feeling of concern. The revenue budget for the current year disclosed a deficit, 1956-57 rates, of Rs. 33 crores, which, be it noted, emerged because defence expenditure had to be stepped up by Rs. 50 crores. The budget proposals converted that deficit into a surplus of Rs. 36 crores. The revised estimate of the surplus will very likely turn out to be higher in keeping with the prudent practice of under-estimating revenue and over-estimating expenditure. But a new factor has to be reckoned. The Finance Commission has made a liberal award of an additional Rs. 40 crores from the Centre to the States. This is a mere transfer of resources which has no effect

on the total picture of the nation's overall account. On the contrary, it throws responsibility on the States to find increased revenue via fresh taxation for their own developmental outlays. If they show unpreparedness to take this bold course of action, as they seem to do if the State budgets so far announced are correct pointers, they must be prepared to accept the logical consequences of such an attitude. There are already indications that the Planning Commission means to prune their plans for the next year. But in no case can there be the least justification to add to the burden of Central taxation.

The effects on the economy of the large dose of Kaldor administered in May last cannot be separated from other factors such as the cut in development expenditure following the foreign exchange crisis. But a rise in personal taxation would be grievously harmful; it is also contrary to Prof. Kaldor's 'integrated' scheme of personal taxation. The income and super-taxes have been revised in this year only to 74 per cent and 84 per cent for earned and unearned incomes. The Kaldorian limit of 45 per cent is still far away and, it is safe to say, will never come. If further relief in income-tax is not to be awarded, the case for any increase elsewhere stands automatically refuted. The expenditure tax comes into operation only in the next financial year. In the sphere of personal taxation the status quo may at best be maintained to consolidate the ground covered, if the pressing necessity of providing incentives for hard work and saving for investment may not be heeded in the present outlook for revenue.

The trends in the economy under the dispensation of the new tax structure argue a compelling case for revised thoughts on corporate taxation. They stem essentially from the climate for investment as it has emerged in the recent past. The crisis of foreign exchange has helped to transform our outlook on foreign private investment and the new attitude which it has created is one of positive wooing. This attitude must necessarily be concretised by appropriate modifications in the recent scheme of taxation. It would be a total error to conceive of the climate for private investment as regards foreign capital and as regards domestic capital in exclusive terms. No such watertight distinction has ever existed. On the other hand, the Industrialists' Delegation has

underscored the vital fact that foreign capital must be matched by rupee capital without which development outlays cannot be complete. The effects of the budget proposals of May last have been no less deterrent on domestic capital than they have been on foreign capital. On a longer view, the requirements of higher production cannot be subordinated to other requirements including those of the exchequer. The scheme of compulsory deposits of company reserves was terribly misconceived, and there is no valid justification for its continuance. Its psychological repercussions, especially on the foreign investor, have not been taken into account. The wealth tax on companies and the tax on issues of bonus shares are two levies whose abolition needs little, if any, demonstration of proof. The rigours of the excess dividend tax can be mitigated if the basis of its assessment is changed from the paid-up capital to the total capital employed.

Throughout this year there has been virtually a continuous down-trend in share prices which, apart from its adverse consequences on current capital values, hampers the flow of fresh investment for expansion. The budget proposals which will be unfolded in the course of a few hours will give a clear picture of the prospect for the corporate sector of the industry. But in our flexible fiscal system they do not constitute the last word on this issue. There will be ample time for a full debate, as also for scrutiny in the select committee stage, on the Finance Bill. The imperatives in respect of the reliefs needed for the corporate sector must not go by default.

If taxation in the present set-up has reached a limit where some readjustment by way of relief is dictated by the needs of investment for development, it is pointless to insist on its revenue aspect. Resources for the Plan can be sought elsewhere. It is now clear that the size of the development expenditure in the budget year will be restricted to the scale fixed for the current year. The price line has now been stabilised at a reasonable level in the strategic components of food and industrial raw materials. Deficit financing of the order of Rs. 250 crores can be incurred in the budget year without any great risk of inflation. But some risk there is. How can one go into battle with an assurance of victory? In any case Budget Day is today. We do not have long to wait to know what's coming.

Savings and Incentives

THE Conference on Savings and Investment convened by the Federation of Indian Chambers of Commerce and Industry this week has a certain appositeness. On the eve of the presentation of the Central budget, it has served to focus attention on one or two aspects of the economy which need reiteration. One is that the merit of savings either on the part of the individual or of the community depends on the productive purposes to which they are put. There is, therefore, no point in dilating on any sectoral controversy and the principal aim must be to expand the pool of savings since, in the ultimate analysis the end is the same whether it is meant for the private or the public sector. It is an illusory concept that tends to show diversion of resources from one sector to the other as gain when the totality stays put with no real expansion of investment or output. The second point is the crucial role that incentives can play in mobilising resources. If

fiscal policies blunt incentives, how can personal savings make headway? Both personal savings and corporate savings, it is obvious, have been rendered difficult consequent on high taxation.

The disincentives operating on the private sector, which account for the drying up of savings, have to be considered in the context of Government attempts at tapping the savings of the community for investment in the public sector. What is the position here? Neither the trend in Government borrowing nor the progress of small savings during the last two years can be said to be encouraging. The fact is that the total subscriptions to the Central and State Government loans in the first two years of the second Plan amount to about Rs. 160 crores (an average of Rs. 80 crores per year) as against the average of Rs. 140 crores per year laid in the Plan. As for small savings there has actually been a decline since

1956-57 and it would be idle to pretend that the target of Rs. 500 crores indicated in the Plan would be easy of fulfilment considering the realities.

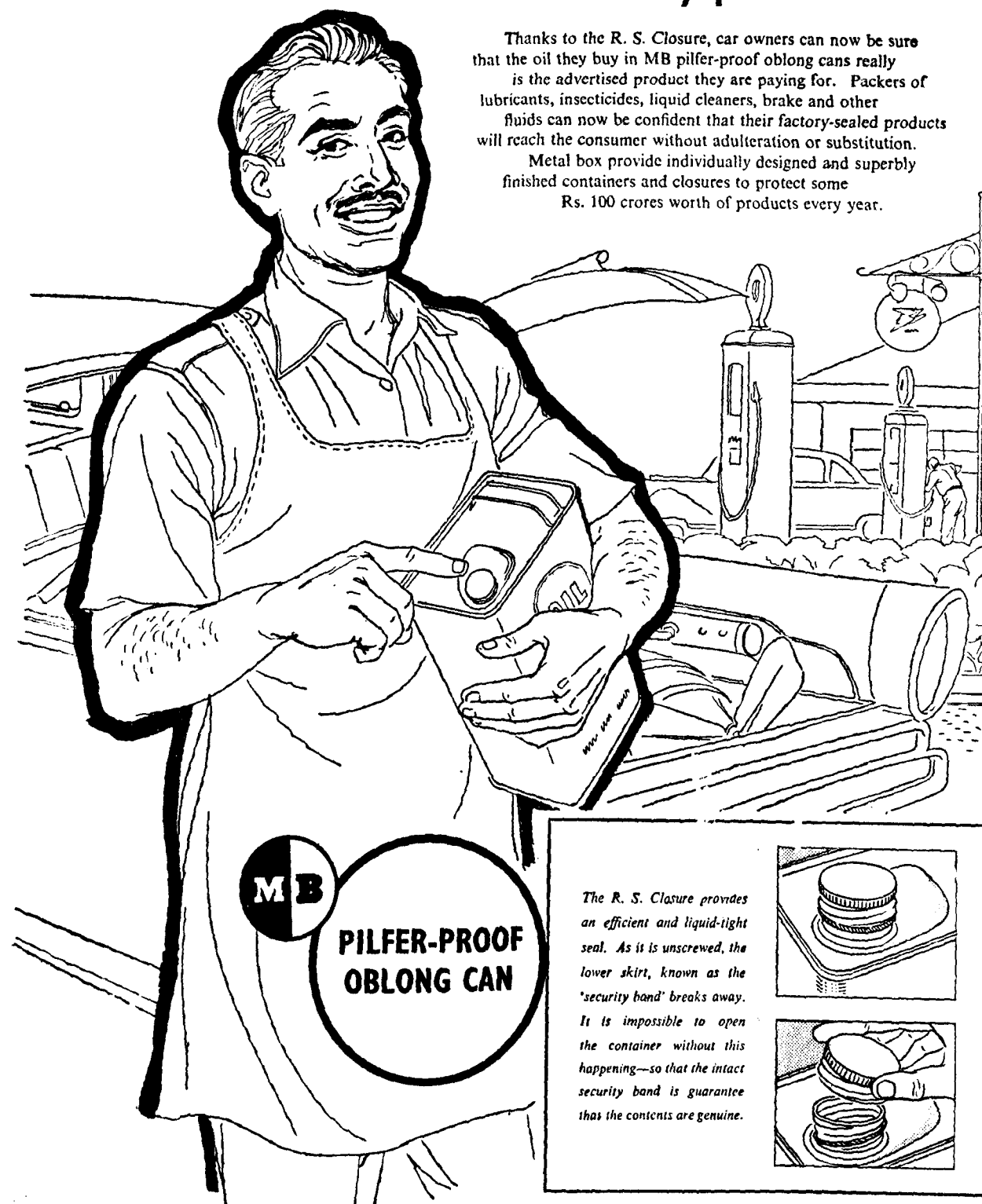
It is easy to understand Government's anxiety to step up small savings. Since last year the State Governments have been given concurrent jurisdiction with the Centre and they have been made to interest themselves in the annual fortunes of the net collections by the promise of a bigger share in the collections. Valiant attempts have also been made to make the scheme more popular by the offer of higher interest rates and so on. Nevertheless, the collections during April-November 1957 amounted to only Rs. 28 crores which is as much as Rs. 14 crores less than the savings collected during the corresponding period of last year. While the rise in prices and cost of living has retarded the progress of collections in the urban areas, there has been no suitable machinery to tap the incomes that have shifted from the urban to the rural sector. Even if an adequate machinery were to be devised, it is a moot point if any particular interest will be evinced in certificates by the agricultural classes when they know that their savings will be locked up for seven or ten years. It would, therefore, appear that no miracle can be expected by way of the small savings scheme though undoubtedly suggestions like the introduction of a scheme of prize bonds merit trial if only to inject some enthusiasm in the scheme.

It is patent that in relation to the demand for capital, the growth of savings is far from ade-

quate, and since expansion depends on adequate investment, it is unwise to pursue policies that sap the sources of economic expansion. There is no need to exaggerate the serious implications of the present state of savings. The Plan was based on the facile assumption that the rate of saving would rise at nearly one per cent per year. This has bred such complacency that some people thought this would happen in any case. This non-sensical assumption has now shown its absurdity. Meanwhile no solution has been found. It is recognised that the private sector has a vital role to play in the fulfilment of the Plan and anything done to starve it of its resources cannot be construed as furthering the objects of the Plan. If the growth of internal resources, which is the main prop for the expansion of organised industry suffers as a result of Government policy, it will only slacken the tempo of industrial production. There should be a *de novo* examination of the tax structure to see how far it operates to vitiate incentives and make the necessary modifications without which all talk of savings for sustaining the edifice of investment can have no meaning. But, of course, it is not only the tax system which is at fault. The rate of interest at present is not adequate to expand the rate of saving in that small area where there is a choice between consumption and saving. And of forced saving in any form we are now afraid. Meanwhile it is as well to remind ourselves that the alternative to saving with a given investment programme is inflation, which is forced saving from the poor more than the rich.

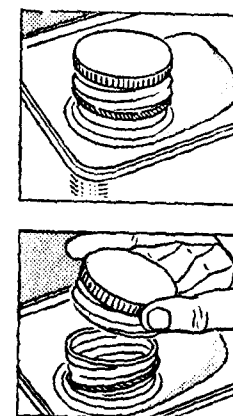
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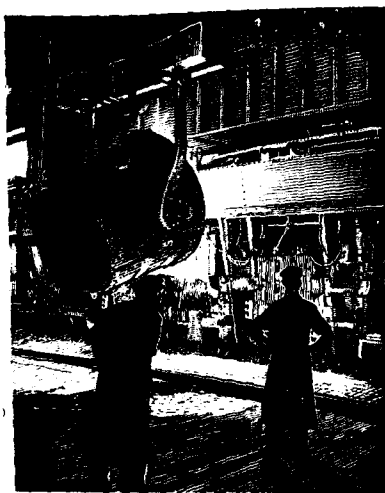
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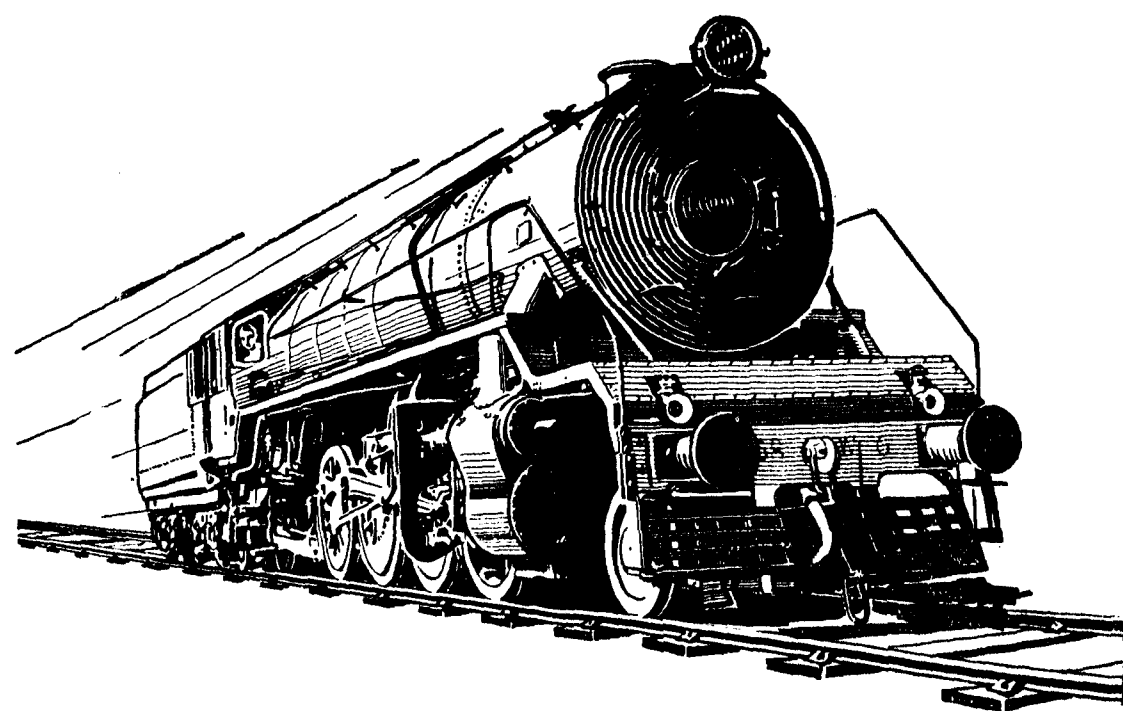
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of work

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THE WEEK'S NOTES

WITHDRAWAL FROM KOREA?

THE PREMIERS of China and North Korea, Mr. Chou En-lai and Mr. Kim Il Sung, have made a joint statement at Pyongyang that 200,000 of Chinese "volunteer" troops will have been gradually withdrawn from Korea by the end of the current year. The Chinese troops, it may be remembered, went to help the North Koreans when the United Nations forces had nearly reached the banks of the Yalu river on the Korean-Manchurian border at the end of 1950. Their intervention reversed the tide of war; they fought the United Nations forces to a standstill in the centre of the country the following year. A cease-fire was agreed to in June 1951, and an armistice, which is still in force, was signed two years later.

The withdrawal of Chinese troops, though welcome, is seven years overdue. The United Nations General Assembly had passed a resolution by 44 to 7 votes as far back as 1951 calling upon China to withdraw its forces. During these seven years, the Chinese have, in violation of the terms of the truce, not only trained the North Koreans to use modern weapons, but are also reported to have transformed the country into an arsenal. The withdrawal of "volunteers" may not thus be of much significance. Besides, the new Chinese move can hardly be interpreted as an indication of either good faith or good intentions. In the first place, considerable number of the Chinese troops have already been settled behind the lines and are likely to serve as an immediate battle reserve should hostilities be renewed. Secondly, even after withdrawal, the Chinese troops will be only a few hundred miles from the demilitarized zone. Thirdly, it is beyond one's comprehension why Communist China must take nearly eight months to pull out its troops from what after all is alien land? Fourthly, if withdrawal before the year-end is militarily and politically undesirable, the great fuss about the withdrawal now being made would appear to be unjustified. Lastly, China's continued defiance of the United Nations resolution of February 1951, calling for genuinely free election for Korean unification under the United Nations supervision would seem to invest the publicized withdrawal with a political rather than military significance. It is perhaps calculated to impress the neutral countries and to reinforce the North Korean demand for countrywide elections under neutral supervision.

The United Nations Command's reluctance to accept at face value the Chinese-North Korean announcement is healthy; the reasons for it are well-founded. The North Korean attack, the Chinese intervention, the record of non-co-operation with the United Nations Commission, the systematic military build-up in North Korea are but a few examples that cast doubt on the sincerity of the Chinese and the North Koreans. It cannot, however, be denied that the decision to withdraw the Chinese troops is a challenge and cannot possibly be met by a flat refusal. The only positive, and perhaps a possible, course for the free world is to persist on the United Nations General Assembly's resolution that the responsibility for unification of Korea lies with the United Nations Commission. The Chinese-North Korean proposal that elections in the two Koreas be held under the supervision of the neutral countries should be rejected categorically. After all, the neutral countries cannot be held to enjoy higher prestige and possess more competence than the United Nations.

A FRONTIER DISPUTE

WISE COUNSEL seems to have prevailed with Egypt, though only after the Sudan had called for an immediate meeting of the Security Council to use its good

offices "to stop the Egyptian aggression." In its communication the Sudan had warned the Security Council that if the situation was not controlled an "armed conflict might develop." The dispute arose last week when the Egyptian Government gave an ultimatum insisting on the handing over of a slice of the Red Sea littoral, north of the 22nd Parallel. The territory, it insisted, fell within the area where plebiscite about the formation of the United Arab Republic had to be held. Egypt's claim, is that all areas north of this Parallel belong to it under the 1899 Charter, which fixed the Parallel as the frontier between the two countries, though some of them were administered from Khartoum by the British, possibly for the sake of convenience. Further, since the Condominium over the Sudan ended with the independence of that country in 1956, both countries should revert to the frontiers fixed under the Charter. The Sudanese Government, on the other hand, argues that the disputed area has been administered from Khartoum since 1902 — three years after the Condominium agreement which defined Sudanese territory — and has never been claimed by Egypt before. Nor did the people of the area at any time vote in any Egyptian Parliamentary election or plebiscite. In the Sudan's Parliamentary elections in 1953 they had, on the other hand, voted as Sudanese nationals on the strength of the self-government statute which had been enacted under the agreement concluded between Great Britain and Egypt. In its declaration recognizing the independence of the Sudan, Egypt also significantly acknowledged "the Sudan, with the present boundaries." It would, thus, seem, that both convention and the long silence of the Egyptian authorities favour the Sudan's case.

It appears that Egypt decided to take the precipitate step in order largely to cash on the new upsurge of Arab nationalism caused by the formation of the United Arab Republic. With the discovery of mineral deposits in it, the disputed area had become important to the new Republic. The timing of the claim, and above all the ultimatum which accompanied it, strongly suggest that Cairo was least interested in abstract justice. Otherwise, there seems hardly any explanation for Egypt's rejection of the Sudanese proposals: That Egyptian plebiscite officers be withdrawn from the disputed area; and that the Sudanese elections be held in the area without prejudice to Egypt's claim which could be negotiated later. The impression is confirmed by the reported failure of the efforts of the Sudanese Prime Minister, Mr. Abdullah Khalil, to contact President Nasser on telephone. It, however, augurs well that Egypt has now decided to withdraw its ultimatum. This should alleviate apprehensions in the small States of the region, both Arab and non-Arab, some of whom tend to represent the birth of the United Arab Republic as the precursor of a new imperialist State. The best course for both Egypt and the Sudan would be to refer their case to the International Court of Justice at The Hague for adjudication.

A REFORM IN RUSSIAN AGRICULTURE

A MAJOR reform, proposed in the structure of collectivised agriculture in Soviet Russia, has not attracted much notice in this country. The reform, proposed by Mr. Khrushchev, is intended to dismantle the state machine and tractor stations and transfer their tractors and equipment to the collective farms which have all along owned only the buildings, light tools and livestock. This would mean that the indirect state control exercised by MTS (Machine-Tractor Stations) over the collective farms will no longer be there if Mr. Khrushchev's proposal is ultimately accepted. This, again, would mean that the stagnation in collectivised agriculture—a stagnation resulting from the elimination of

individual incentives that go with peasant proprietorship—is sought to be remedied by giving the collective farmers a sense of self-management of their operations.

But this can only be a partial remedy and, that too probably, of not much significance though it is undoubtedly a major step in decentralisation. As a carrot to the peasants, it may be all right. But the stick will still continue to be there, and this will be wielded by the chairmen of collective farms. These chairmen are drawn from the trained cadres of the Communist Party and, though nominally elected by the members of collective farms, are in fact forcefully recommended by the local party authorities. It is the function of these chairmen to ensure that compulsory grain deliveries are made by the collective farms to the State. This function, they have been ruthlessly discharging all along whatever the peasants' discontent. The proposed reform is calculated to strengthen their hands and enable them to continue to discharge their function successfully by dangling the carrot before the peasants. The carrot may still not be tempting because the tractors and equipment of a tractor station which now serves several collective farms cannot possibly be monopolised by any one collective farm. How an insufficient quantity of tractors and equipment can continue to go round all the collective farms may still continue to be a problem. Whether this problem of shortage will be solved by far greater production of agricultural machines and equipment, is anybody's guess.

CANADIAN GESTURE

IT MAY be recalled that India's Finance Minister, when he visited Canada in October last, gratefully acknowledged the generous and spontaneous help that this relatively small country, was rendering to our development plans. In the period of the first Plan she authorised, as part of the Colombo Plan assistance, a grant of Rs. 35.6 crores, of which Rs. 19.5 crores was utilised up to March 1956. The Canadian Government has also recently announced its intention to finance, to the tune of Rs. 7.1 crores, gifts of wheat and flour to India, Pakistan and Ceylon. It may be that as much as Rs. 4.5 crores worth of wheat and flour will be available to India under this head. Over and above this expected assistance, a dollar loan of about Rs. 12 crores is to be provided by Canada, under an agreement just signed in Ottawa, to finance the purchase by India of 400,000 tons of Canadian wheat in the current year.

This Canadian loan differs from the P. L. 480 loan given by the United States in so far as the sale proceeds of the agricultural commodities under the latter are treated as a rupee loan which is to be repaid in rupees. The present dollar loan by Canada will, however, have to be repaid in dollars. This is understandable because Canada cannot be expected to do what a far bigger country like the United States is doing. What is more worthy of note in the deal is that repayment will be in seven equal annual instalments beginning on March 31, 1961, and the loan will bear interest at the rate of 4½ per cent payable annually beginning March 31, 1959. These terms are distinctly favourable to India in so far as the period of repayment is considerably longer and the rate of interest substantially lower than in normal commercial sales. To the extent the Canadian loan relieves this country's immediate pressure on foreign exchange resources, it is not only a timely piece of assistance but a warm gesture that cannot fail to evoke grateful response from this country.

ALL FOR AUSTERITY!

SOME OF the figures supplied by the Punjab Government to the State Legislature regarding expenditure

incurred by it make depressing reading. The figures relate to the period between March and September last year, and the items are furniture, electricity and water supply in the nine houses occupied by as many Ministers. At a time when so much emphasis is being laid on austerity, it is shocking that about Rs. 104,674 have been spent on furnishing the Ministers' houses. The Chief Minister's house alone accounts for Rs. 14,805 spent on furniture. The other Ministers appear lower perhaps thanks to the protocol, but even the nethermost among them has cost the State exchequer on this item alone no less than Rs. 9,570. The curve for electricity consumption touches the highest in the case of the Chief Minister and Dr. Gopi Chand Bhargava—with Rs. 432 each—the other Ministers gradually sliding down to Rs. 33—by Mr. Mohan Lal, the Minister for Finance. Obviously, the protocol does not seem to have worked at all in the case. In the matter of water consumption charges, Mr. Gurbanta Singh heads the list with about Rs. 700 and Mr. Mohan Lal is a close second with a bill of Rs. 570. Giani Kartar Singh's water supply bill aggregated to Rs. 27, while Dr. Bhargava's stood at zero. (One is naturally curious to know how these Ministers managed to be so economical in this respect without any evident adverse effect on hygiene!) It would be surely helpful if comparable figures were obtained from other States and the Centre. We should have at least a rough estimate of the total burden on the public exchequer of those who preach "simple living and high thinking".

THE COTTONSEED OIL INDUSTRY

THE BASIC conditions which govern the stimulation of the cottonseed oil industry in this country was the theme of Mr. S. H. Turner's presidential speech at this year's annual session of the Vanaspati Manufacturers' Association. On behalf of the Association, Mr. Turner has given a forthright assurance to the Government that the Vanaspati manufacturing industry would extend full co-operation in giving a push to the cottonseed oil industry. During 1958 all the member units of the Association have undertaken to use cottonseed oil to the extent of 2½ per cent of their requirements of oils which would create a demand for something like 7,500 tons. He has clarified the attitude of the Vanaspati industry by assuring the interests concerned with the promotion of the cottonseed oil industry that the Vanaspati industry has no prejudice whatsoever against the consumption of cottonseed oil. Cottonseed oil of good bleachable quality, priced at reasonable rates, can certainly find patronage from Vanaspati plants which are equipped with adequate hydrogenation capacity to process it. But he has been equally emphatic in exposing the fallacy of the reasoning that the Vanaspati industry has the potential to consume all the supplies of cottonseed oil produced in India and thus give it a powerful fillip.

A broad-based, stable and developing market for the cottonseed oil industry is to be pursued elsewhere. It is to be sought in establishing a growing demand for oilcake, which, by virtue of its richer protein content possesses greater value as a nutritious food for animals than cottonseeds. The cottonseed crushing industry has to convince and encourage cattle owners to take to an increasing use of the oilcake and not to grudge paying a fair price for it. In that case prices of cottonseed oil will be maintained at higher levels in the Indian market as well as the market abroad. But, if as at present, the cottonseed crusher is driven to buying cottonseed in competition with the cattle owner at high prices and sell his cake at low prices and fight the competition of groundnut oil in the market, the basis of this industry must remain unstable.

A Window on the World

1867 AND ALL THAT—THE ARCHAEOLOGY OF ECONOMICS

By
ODYSSEUS

STATESMEN ARE OVERWORKED. They have no time to keep themselves abreast of the development of knowledge. That is why the economic doctrines expounded by so many elder statesmen in all countries strike younger generations as quaint anachronistic survivals, ridiculous if they were not such tragic barriers to progress.

Example of a doctrine, long discarded in the light of experience, but still preached by greybeard politicians in many countries, is that competition is a rudimentary and chaotic stage of capitalism, and that as long as it prevails the rich get richer and the poor poorer.

Karl Marx (1818-1883) originally propounded this in 1867. Is it not curious that anyone should still be basing policies of state on a 91 year old text book? Would we tolerate engineers who sought to build locomotives in accordance with the state of mid-nineteenth century knowledge, before Diesel had used oil as a fuel, before electric trains were known?

Marx's theories made economists realise that workers are entitled to a reasonable share in the wealth that they help to create. But the language in which Marx clothed this unimpeachable proposition confused economic thought for sixty years until economists were able to clear away the muddle by studying actual socialistic experience in the USSR and in post-World War II Europe.

Experience has demonstrated that competition does not make for economic chaos. What injures us all, whether we are employers, workers, or consumers, are monopoly practices on the part of entrepreneurs or workers. Monopoly exists when (a) entrepreneurs or (b) trades unionists succeed in holding consumers up to ransom and extracting higher prices or wages than could be secured if competition were enforced by the state.

"Aha!", says our greybeard politician, leafing rapidly through "Das Kapital". "You're wrong. Marx says that under capitalism, with its urge towards mass production and economies of scale, small firms disappear and the tendency is towards fewer and bigger corporations like Tatas, or I.C.I., or General Motors."

IN THE TIME OF AKBAR

Which proves that Marx knew no economic history and had no aptitude for divining the future, because the further back you go in history before the capitalist era, the more near-monopoly conditions you find. In the time of Akbar, and his contemporary Queen Elizabeth I, towns were small and isolated by bad communications. In the absence of competition, price agreements were easy to enforce. Consumers had no sources of supply other than the few firms dominating a narrow seller's market. The workers, too, had as narrow markets for employment. They had to take what jobs and pay were offered. But with every advance of the Industrial Revolution, first in the UK and later in India, monopolies were broken down. Modern roads, then railways, telegraphs, cycles, ships, motor cars, and aeroplanes forced once isolated local industries to compete in ever widening markets, first national, then

international, until today millions of firms compete with each other across the world to meet consumers' demands. Wherever free enterprise flourishes small firms have multiplied. And the spread of trains, buses, and cycles, has multiplied markets for workers. No longer are they dependent on a few local employers. In the West today, workers think nothing of travelling daily 30 miles or more to and from their places of work, while newspapers keep them informed of opportunities in other parts of the country and of the world.

It is not capitalism, it is Socialism, which threatens the small firms, because Socialists regard competition as the root of all evil, whereas, in fact, competition is the small man's safeguard against the abuse of power.

It is right that workers should be allowed to organise in trades unions to secure the best possible terms. It is wrong that trades unions should be allowed to enforce restrictive practices which impede the application of more efficient, more economical, techniques of production, or which diminish the mobility of labour in the country, because these interferences diminish the competition between workers which is as life-giving to the economy as it is between employers.

History has disproved Marx's assertion that under free enterprise the rich get richer and the poor poorer. With every succeeding decade in every Western country which experienced free enterprise and the Industrial Revolution, the material lot of the workers improved until the masses began to enjoy food, clothing, and amenities far above those of the wealthiest few in previous centuries.

I do not suggest that free enterprise secures perfect social justice, that it cannot make mistakes, that it has nothing to learn, that under it the masses have received only benefits and suffered nothing. No system—neither free enterprise nor socialism—can ever secure perfect social justice or eliminate suffering. In the nineteenth century, for example, new problems sprang up which free enterprise had to learn how to solve. As the national wealth grew and wages rose, one of the first effects in all capitalist societies has been an upsurge in the growth in population. Gradually Western capitalism discovered techniques of public hygiene, drainage, garden cities, and so on. And there have been countless other problems, ranging from cyclical unemployment, factory working conditions, payment for holidays, etc., which have been tackled and solved, or which are on the way to being solved. But (as I have said on previous occasions) it would be as absurd to condemn medicine because it has required time to discover, by trial and error, new techniques, from radiology to iron lungs, as it is to condemn free enterprise because it has not known all the answers from the beginning.

UNJUST TO THE WORKERS?

A socialist must admit that the material lot of the workers improved absolutely under Western free enterprise between, say, 1800 and 1914, but he would maintain that the proportion of the national income that they secured was too small compared to that of the entrepreneurs. He would point to the decrease, wherever Welfare states have been inaugurated since World War II, in the proportion secured by the entre-

preneurs and the tremendous increase in that of the workers.

Enlightening comment on this proposition is to be found in a remarkable book, "Mainsprings of the German Recovery" (Oxf. Univ. Press, 1955) by Professor H. C. Wallich of Yale University. What he has to say about the proportion of the national income secured by Germany's workers since the restoration of free enterprise in 1948 applies to workers in any other country. It is a fact while Germany's national income rose from DM 70,000 millions in 1948 to DM 136,000 millions in 1954, the share that went to wages rose in the same period only from 64.2 per cent to 65.2 per cent. But looking back over the years, Professor Wallich suggests that the policy of wage restraint has paid Germany's workers well. If the workers had insisted on a higher share in the national income, their immediate position would have improved—at the expense of long-run gains, because higher wages would have meant lower profits, lower savings and less investment. The gains to the workers from the more rapid growth of the national income are likely, after some years, to outweigh the gains that could have been secured through the re-distribution of a static or very slowly rising national income. When income per head rises by anything between 5 and 20 per cent annually (an average of about 10 per cent), as it has in post-1948 Germany, and as it did in nineteenth century Britain and America, it does not take long for the gains from growth to outstrip those from exactly doubled themselves in the 40 years from 1864 to 1904.

It is true that Germany's progress from 1948, and the progress of the UK in the nineteenth century, was accompanied by increasing inequality in the distribution of wealth. By enabling firms to earn good profits and to re-invest them, the workers of the UK in the last century, and of Germany since 1948, have helped entrepreneurs to accumulate wealth. "Yet this fact," says Professor Wallich, "presents no convincing argument against the wage policy that has been pursued." Unequal accumulation of wealth by entrepreneurs is inevitable unless, and until, workers begin to save on a scale sufficient to maintain the same rate of growth in the national income as that achieved by the savings and investments of entrepreneurs. Had the workers got higher wages without saving enough, the rate of formation of capital would have been reduced without in the long-run changing its distribution. The wealth that actually took ten years to create might have taken eighteen or twenty and its distribution would hardly have been affected.

The fact is that the masses in no country have yet shown themselves willing to cease from consumption on a sufficient scale to keep the economy growing at a rate comparable to that of nineteenth century Britain and post-1948 Germany—a rate that keeps the total spilling over into an annual absolute gain in real wages. To this, a Socialist might reply that no workers have ever had wages big enough to afford such savings. Well, any working class family that includes, say, four earners, can in the UK today, easily aggregate £2,080 a year—that only means £10 a week per head, whereas there are innumerable jobs going from £15 to £20 a week or more. Such incomes represent far higher real buying power in working families which benefit by free education, medical attention, unemployment pay, pensions, negligible rents in subsidised municipal houses, and no urge to keep up appearances. If British workers can earn on this scale, what goes on in the USA, where average earnings after income-tax has been paid—repeat 'after tax'—are nearly six times the UK average! Yet in neither the UK nor the USA are the masses making any perceptible savings for investment in industry.

So much for the quaint idea that any reduction in income-tax in India which led to increased investment by the so called "rich" would be "at the expense of the people and at the cost of their sufferings." Incidentally, in Welfare and Socialist Europe, increased investment has imposed far greater burdens on the people than in the bad old capitalist days because, since the "rich" can no longer afford to save, the only means left to the state to raise money for capital investment has in practice been by inflation or by inflationary taxation.

Next week, we will take time off for some further archaeological excavation in search of museum pieces of nineteenth century economic mythology.

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COLONIES AND THE COMMON MARKET

(From Our Special West European Correspondent)

PARIS, February 21.

EVER since the six nations of Little Europe accepted the principle that the overseas dependencies of such member-powers as have colonies should be included in the European Common Market, anxiety has been expressed about the consequences of this decision for the colonial economies and for the producers of tropical produce in general. This is natural, for the decision means that the economic future of tens of millions of people in territories scattered about the globe (50 millions for the French Empire alone) has been staked on a project which their representatives had no part in devising. The economic prospects for several African territories which hope to achieve independence in this generation have been revolutionised by what may prove to be the last momentous decision of the imperial power. In certain of these colonies the fear is expressed that their incorporation in Euromarket heralds a new form of super-national imperialism, in which a large part of Africa becomes the dependency of all West Europe, subject at once to the political domination of Paris and the economic domination of West Germany.

If these fears were anything like justified, the outlook would indeed be grim. One is appalled at the thought of a dependent territory falling under the simultaneous power of the sort of political reactionaries that now make the law in Algeria and the Belgian Congo while being exposed to the dumping mania of an export-crazy German industrialism. A super-colonialism that combined all the faults of the various West European imperialisms would be a disaster for the 20 colonies that are affected by this plan. Fortunately the truth is considerably less terrible than this. So much so that equally urgent anxieties have been expressed by colonial territories that are to be excluded from the Common Market, e.g. the British colonies whose exports compete with those of the Continent's colonies and who will now see their rivals gain privileged access to an integrated market that may expand considerably.

It is certain that their incorporation in Euromarket will entail grave changes for many colonies, but in fact there would have been much more reason for apprehension if they had been excluded. The Common Market would then have been a "rich nations' club" and whatever benefits it brought to West Europe would have served to widen the immense gap that now separates European from colonial living standards. France's motives for insisting on their inclusion were perhaps not all noble, the main one being to get affluent West Germany to help finance the last phase of imperialism in Africa, now that it is clear that the African colonies are moving toward independence and that imperial economic privileges cannot last much longer anyhow. But whatever the motives, the decision will keep the colonies in touch with economic progress in West Europe, instead of cutting them off from it while maintaining their political subjection. That it will also upset several of them is evident, but then Euromarket is bound to upset the metropolitan economies too, and none more than that of the main imperialist power on the Continent, France.

The Common Market requires that all customs duties and other obstacles to trade be abolished gradually over a period of 12 to 15 years. At present of course the colonies have no customs barriers against imports

from the metropolitan country, so the immediate effect will be to make imports from the other West European countries cheaper. In the short term, the gain is substantial and obvious, on the import side. In the longer term, one might think, this exposure of the colonial economies to the exports of the cheapest West European producers would mean the impossibility of ever establishing domestic industries in the colonies. An infant industry that would find it a struggle to meet the competition of rivals in the advanced mother country would have no hope at all against the combined competition of all West Europe—a West Europe moreover in which the free trade of the Common Market was spurring all industries to technical progress and lower costs. In fact, this patent danger was foreseen by the farmers of the Rome treaties and it is provided that any colony that has, or will have in the future, an infant industry to protect will be able to do so, by means of tariff barriers, on the condition that these tariff barriers are the same for all the countries of West Europe.

The other major gain of the colonies, apart from lower import prices, is increased investments from West Europe. The colonies were already receiving a steady flow of investment capital from their metropolitan masters, and this is to be maintained; to it will now be added investment from a special joint fund. This fund will provide \$511 millions over five years, which is a fairly substantial sum even when scattered over colonies with a total population of about 50 million people. France will provide the largest single share, \$200 million, since most of the territories in question are French colonies. The other contributors, mainly West Germany, have stipulated that these public investments should be directed to general economic and social welfare schemes and yet should be clearly not of an imperialist nature, that is, they should not lighten the burden of the "costs of sovereignty." Thus, in the French colonies, the sort of expenditures that would be included in the revenue budget if the territory were independent will continue to be financed by the French national budget, while the joint European funds will go to special development projects.

The Rome treaty, naturally, makes no mention of private investment. Here too the colonies stand to gain, for the opening up of their markets to German commerce should attract new industrial investment. Delegations of German industrialists have been visiting the colonies and although no spectacular plans have so far been announced, the German banks are carefully prospecting the terrain. The Germans are anxious to secure guarantees and assurances from local political groups, as against what guarantees can be offered by the metropolitan governments. This is not just the usual German cautiousness about investing in backward countries, but is based on the realisation that within the lifetime of any major investment many of these territories will accede to political independence. Incidentally, it should be emphasised that the incorporation of the colonies in Euromarket has not affected whatever plans were afoot for great political autonomy in the dependent territories. Paris negotiated the Common Market treaty at the same time as it set up the framework law that is designed to lead the African colonies to political autonomy, and these two lines of business were conducted quite independently.

A DELHI DIARY

TRAGEDY WEEK

IN my long career as a journalist, I cannot remember any week which has been so full of tragedy as this last. On Saturday morning, after an anxious day in which life seemed to ebb and flow, Maulana Abul Kalam Azad breathed his last. Almost immediately, as though there were repercussions in the bowels of the earth, there came news of the terrible tragedies in the Chinakuri and Bhowrah collieries. In the Chinakuri tragedy 173 persons, who are still underground, are presumed dead. Of those rescued one is already dead and three later died in hospital. The condition of three more is serious. In a quite separate colliery, under different management, at Central Bhowrah, 23 persons were trapped by rushing water and are presumed to have been drowned. On Monday, there came news of the terrible explosion at the Ordnance Railhead of Pathankot in which the full loss has not yet been estimated, but in which 18 civilians and 8 army personnel are known to have died, and 28 civilian employees are missing. On Tuesday, more than 35 passengers were drowned when a bus proceeding to Madakasira in Hyderabad plunged into a roadside well. On the same day police opened fire to disperse an unruly crowd of Hindustan Aircraft Factory workers in which one man was killed. There have been other accidents of a minor nature. But these are enough for branding this week as one of India's worst. Can any reader, who collects dismal news, give me from the murky past any equally terrible week?

MAULANA AZAD

No one who saw the display of grief at the funeral of Maulana Azad could have believed it possible that a man who kept himself so aloof from popular appeal could have entered so deep into the public mind. Even among journalists there were very few who got a true measure of this remarkable man, whose judgment was, in political moves, of such value to the Prime Minister. It is not generally known that, but for the Maulana, the acceptance of the Chagla Commission's findings and the principle that judicial enquiries once instituted must be binding on the Government might not have been even as graceful as it was. People are now talking about his towering personality. What seems to be much more to the point is his wonderful reticence, his refusal to impress and obliterate opposition by a finished stroke of literary scholarship even though, in Urdu, this was always at his command.

COMMENSENSE ABOVE SCHOLARSHIP

He was a great exponent of commonsense; hardly anybody knows how much his calm and mature common sense has prevented error of emotional judgment in the counsels of the State in the last ten years. Perhaps the Indian people really have an unconscious estimate of what the Prime Minister owes to the Maulana. The of what the Prime Minister himself was a tragic figure when raising his hands at the Ramlila meeting he asked: 'To whom shall I now turn for guidance?' This may seem to those who did not know the Maulana like a rhetorical flourish. In point of fact it represented no more than a historical happening, namely, that the Prime Minister's final decision in a hundred cases rested on the Maulana's advice. Much of this strength lay in charac-

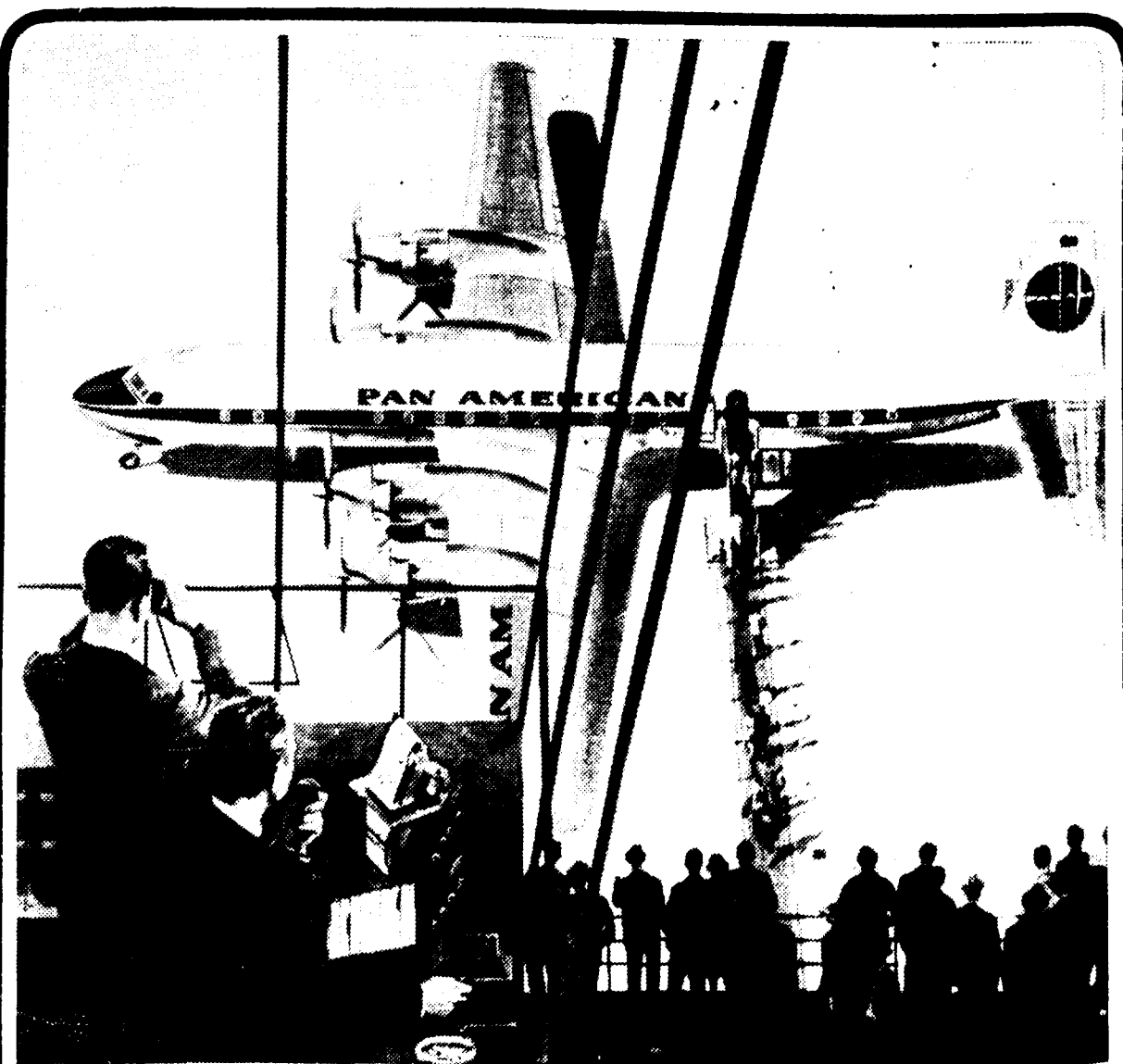
ter and not in scholarship; he refused to carry into the counsels of the State personal differences of opinion he had with any member of the Cabinet. Three instances leap to my mind. But discretion is the better part of valour!

EXIT: THE CHAGLA REPORT

The passing of the Maulana (and the other tragedies which have come upon us in the week) have obliterated from the public mind the Chagla Enquiry. This is no more than proper. There was danger of our losing our sense of proportion on the Chagla Commission's report, as there was on the initial refusal to take it seriously. In the end things have turned out, perhaps, as in the best possible worlds. The long-period implications of the report are being studied and, for the first time, no hurry is being displayed. A friend of mine skilled at procedure — an art as exacting as any including the practice of the dismal science — tells me that action against the officials that has been promised cannot be a quick affair. In the first place, there has to be a new study of the records in order that precise charges should be framed in each case. These charges have then to be sent to the officer concerned for a formal explanation. Thereafter, if an enquiry is ordered on the basis that the explanation is inadequate, full charges will need to be framed and the officers concerned will be allowed to lead evidence to establish their view of the facts. What seems to be proposed at the moment is nothing more than an initial enquiry. When the stage comes for the leading of evidence it is hoped that, as a matter of principle, this will be done before an officer of high judicial status. The impression has been created in Delhi that the Court is to be a group of Executive officers. I have the greatest respect for members of the Indian Civil Service, but I suggest that it is not appropriate, when evidence is being led, that an "executive" view should prevail to that evidence. The appropriate officer in this case should be a judge of the Supreme Court. I happen to have a personal preference in this case, but I refrain from expressing it. Since, however, one is permitted in this Crossword Age to give a clue, I might say that the judge I have in mind is one who not very long ago resigned from the Supreme Court and is at present in Delhi on a special assignment.

It must not be imagined that, because I suggest a Judge of the Supreme Court in this case, I have succumbed to the general superstition that only the Judiciary is worthy of the public's eternal support. The theory now is being broadcast that High Court Judges should be Chairmen of Corporations (a) because they are not civil servants and (b) because they are not business men. Let me say (going as close as possible to Contempt of Court proceedings) that the placing of judges in supreme executive positions is just as bad as the placing of executive officers in judicial authority. There is surely some logic in the point that the separation of powers should be followed by the separation of personnel in these two Estates of the Realm. It is only before one reaches the Bench, that one can trip delightfully from judicial to executive functions. And there, of course, the legal profession has the fruit of many worlds — some bitter fruit included.

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Special Article

OPERATING PERFORMANCE OF THE RAILWAYS

THE official report on the Indian Railways for the financial year 1956-57 assumes some special significance. It cannot be treated as a routine annual survey of railway operations. This was the first year of the second Five-Year Plan. The standards of operating performance shown during this year will serve as useful guides to assess how the railways are rendering an account of their capacity to carry out the heavy tasks which have been assigned to them. The tasks which relate to the freight sector of the railways are of crucial importance. Freight traffic is the backbone of railway finances since over three-fifths of the revenues are earned by transportation of goods. The freight sector, however, is of critical importance for quite a different reason. Railway freight communicators constitute the lifeline of our economy.

There were no two opinions on the necessity of providing the railways with the requisite resources to expand their freight carrying capacity to lift the traffic which the targets of production fixed in the Plan would generate. Without the creation of capacity on a commensurate scale, it would not be possible to fulfil those targets. A capacity target of 181 million originating tons in 1960-61 was the minimum which the production targets in the Plan indicated on a conservative estimate. To begin with, financial allocation was made to the railways to increase their capacity to 162 million tons. This was on grounds of the funds that were available. Last year, however, the target was restored to 182 million tons as demanded by the Railway Ministry originally. It must be remembered that this original estimate has now become totally out-of-date. Radical rethinking on food production and the revision of the agricultural production targets will make further demands on rail transport capacity and they must be satisfied as a matter of top priority.

The operating performance of the railways in the first year of the Plan must be judged in the light of this background. The inferences which the major indicators of freight performance suggest can be set out at the outset. There has been an encouraging start in this initial year in carrying higher traffic from 114 million tons to 124 million tons. But it is wrong to assume that the railways carried all the traffic offering. The Preferential Traffic Schedule as revised in August 1953 continued to govern acceptance of bookings. It ensured a fair deal for all types of goods to be moved, but the very criterion of preferences made it unavoidable for the railways to decline bookings and allow bottlenecks to arise. It will be recalled that this was a year in which high pressure of traffic was not planned. Due to this factor, it is reasonable to argue that the shortfall of 3.4 million tons below the average annual additional load of 13.4 million tons that the railways are expected to carry in the second Plan period is not of much consequence.

The performance in goods operations shows a general improvement in efficiency. Much of it is due to better utilisation of rolling stock. More intensive utilisation, however, was rendered possible by acquisition of new stock and improved facilities of repairs at the workshops as well as greater attention to maintenance. Expenditure on these items is rising in a marked degree. Improved efficiency in work on the part of the staff has some share in the final result. But the Efficiency Bureau has an exacting task to perform. It is admitted that training facilities are inadequate considering the scale on which new staff is being recruited.

Even otherwise, the human element in railway operations is not up to the mark. It is an undisputed fact that failures of the human element formed an important cause of the accidents which took a heavy toll in the current year 1957-58.

There is no criterion to assess labour productivity in the railways. But there are indications to suggest that at best it may be static. Additional traffic activity is being matched by additional staff. Furthermore, the wage and allowance scales of the railways are continuously rising. This is partly inevitable in the light of a rising cost of living. But higher emoluments which are awarded permanently and are not linked with the cost of living must be vindicated by higher productivity. It would be highly desirable for the railways to obtain the co-operation of the ILO for investigating the problem of productivity and eventually to fix scientific norms of work.

In a brief survey it is essential to refer to some selected indicators of freight traffic performance. It has been pointed out earlier that goods traffic, as measured in originating tonnage, showed an improvement of 8.77 per cent in 1956-57 and reached a new peak of 124 million tons. But this indicator hardly gives a correct idea of the tasks performed. A more satisfactory indicator is traffic expressed in ton-miles which take into account its volume and the distance covered. It is a satisfactory measure of tax on transport capacity. Freight ton-miles show an improvement from 36,472 million in 1955-56 to 40,225 million in 1956-57. In fact, between the first year of the first Plan and the first year of the second Plan, freight traffic in ton-miles has risen by nearly 50 per cent.

In any assessment of the operating performance of the railways in the freight sector, the basic criteria are utilization of wagons and engines. Wagon utilisation may be measured in financial terms. The Railway Ministry's statistics make a distinction between revenue loadings showing wagons loaded for the public on payment of the prescribed charges and wagons loaded for the movement of the materials of the railways themselves. Revenue loadings showed an average of 12,168 wagons per day on the broad gauge as against 11,374 wagons in the previous year and 7,819 wagons per day on the metre gauge as against 7,263 wagons in the preceding year. This comparison does not give a complete idea of the traffic carried. Movements of goods and materials for the service needs of the railways are as vital to the economy as movements of freight on public account. The aggregate position discloses that total wagon loadings on both the gauges improved from a daily average of 21,433 wagons in 1955-56 to 22,945 wagons in 1956-57. This gives an increase of 7.5 per cent. This indicator must be read in conjunction with another indicator, namely, the average distance over which a wagon was hauled. The average haul increased from 46.3 miles to 47.7 miles on the broad gauge, but it showed a marginal improvement on the metre gauge from 28.5 miles to 28.7 miles.

But by any test a satisfactory standard of assessment is the vital indicator—net ton-miles per wagon day which gives the effective use of wagon capacity. This indicator shows a substantial improvement of 5.36 per cent on the broad gauge (which is strategic in the Indian railway system) from 541 to 570 and an increase of 3.45 on the metre gauge from 203 to 210. The pro-

gress made in this respect since the start of the first Five-Year Plan is shown in the following table:

NET TON-MILES PER WAGON DAY: CLASS I GOVERNMENT RAILWAYS

Year	Broad Gauge		Metre Gauge	
	Net Ton Miles	% of increase or decrease over 1951-52	Net Ton Miles	% of increase or decrease over 1951-52
1951-52	463	—	198	—
1952-53	444	— 4.1	204	+ 3.0
1953-54	441	— 4.7	194	— 2.1
1954-55	483	+ 4.3	194	— 2.1
1955-56	541	+ 16.3	203	+ 2.5
1956-57	570	+ 23.1	210	+ 6.1

Except for the set-back on the broad gauge in 1952-53 and a further small decline in 1953-54, the wagon ton-mileage curve is rising steadily, but in the last three years it has risen remarkably. Progress on the metre gauge was retarded in 1953-54 and 1954-55, but in relation to the broad gauge it registered a slow rate.

One satisfactory indicator of the utilisation of goods engines is to be found in the measurement of net ton-miles per engine hour. It is set out in the following table for the same period.

NET TON-MILES PER WAGON DAY: CLASS I GOVERNMENT RAILWAYS

Year	Broad Gauge		Metre Gauge	
	Net Ton Miles	% of increase or decrease over 1951-52	Net Ton Miles	% of increase or decrease over 1951-52
1951-52	2,055	—	767	—
1952-53	1,962	— 4.5	827	+ 7.8
1953-54	1,934	— 5.9	853	+ 11.2
1954-55	2,041	— 0.7	871	+ 13.6
1955-56	2,124	+ 3.4	915	+ 19.3
1956-57	2,176	+ 5.9	958	+ 24.9

This table shows satisfactory progress on the metre gauge. On the broad gauge a severe set-back was received in 1952-53 and recovery to the level of the first year of the first Plan could be staged only in the fifth year. But the last two years give assurance of more effective service from locomotives in the future.

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TAX RELIEFS AND ECONOMIC GROWTH

By CROESUS

THE miraculous progress which West Germany have achieved in recent years is always cited, both by industrialists and official spokesmen in this country, that it is worthwhile examining the causes that have contributed to this achievement of West Germany. In a way, the example of West Germany is quite appropriate, in that, barring Norway, it is only in West Germany that there is a wealth tax on companies as we have here. It is also interesting to note here that, latterly, there has been a tapering off in the tempo of Germany's economic progress, and this has been attributed to continuous increase in wages and production costs, so that industries in West Germany have begun to clamour for tax reliefs. This shows that a judicious system of taxation is the first 'sin quo non' of any developing economy. Hence the tendency practically all over the world wherever the objective is to stimulate rapid economic growth in a democratic way, to lighten the tax burden.

We may therefore begin by comparing the incidence of taxation in West Germany with that in India. Thanks to the brochure on the 'Case for Relief in Direct Taxation' just published by the Association of Indian Trade and Industry, Bombay, this task has been rendered easy. Before proceeding to make the comparison, it is just as well to note that "the Indian system of taxation is easily the most cumbrous of all. Other countries make a choice between alternative taxes but India seems to favour a simultaneous levy of almost all taxes prevailing elsewhere and has the unique distinction of levying the expenditure tax and enforcing a scheme of deposit on corporate reserves, which are without precedence in any part of the world". In West Germany, there are only two direct taxes on individuals and partnerships and four direct taxes on companies, but, as against this, there are as many as 7 direct taxes on individuals and partnerships and 8 direct taxes on companies in this country! As a matter of fact, the number of direct taxes levied by the Government of India exceeds that in any other democratic country. The combined rate of taxes on income, wealth and dividends of companies in India works out to about 56 per cent, which is the same as in Sweden but slightly lower than that in the U.K. The combined rate of income tax and wealth tax on companies in West Germany is 41.6 per cent and that in Norway 34.5 per cent, both of which are considerably lower than in this country. Then there is also this distinction between these countries and India: In the U.K., as in other Commonwealth countries, they do not levy taxes on capital gains or wealth, while, in West Germany, Sweden, and Norway, whereas the wealth tax is levied on individuals, there is no surcharge on income tax earned from such wealth as we have in our country. Although wealth tax on companies prevails in West Germany and Norway, these taxes do not add to the burden to the same extent as in this country, because the rates of tax on corporate income in those countries are relatively lower. Sweden and Norway account for a maximum limit of 80 per cent of income for the combined burden of taxes on income and wealth, and the maximum rates of taxes on income in West Germany and Netherlands are even lower and do not reach 80 per cent of income even in the case of very high incomes, say up to 10 lakhs. It is only in this country that we have a wealth tax on companies and also very high rates of taxes on their income and dividends alongside. The result is that, in the highest brackets of income, the combined incidence of taxes on income and wealth exceeds even 100 per cent of income!

The case for tax reliefs especially in respect of equity capital, is very strong, because equities are the nucleus around which capital formation takes place

in the private sector. It is a well known fact that units in the private sector have well nigh exhausted all their internal resources and borrowing capacity. There is no other go for them except to raise equity capital, but they find it extremely difficult to raise it in the prevailing conditions. Why, it may be asked, should units in the private sector be enabled to raise the resources? The Association of Indian Trade and Industry has perhaps provided the most effective answer to this question by pointing out that, if the first Five-Year Plan was a success, despite the fact that the government investment programme fell short of the Plan estimate by over 15 per cent — by as much as 40 per cent investment in the government sector of the industry — it was because this gap in government investment was more than covered by over-fulfilment in the non-government sector. In the first two years of the second Five-Year Plan, again, it is known that there has been a shortfall in the development expenditure of both the Union and the State Governments, and this shortfall is expected to continue and become intensified over the rest of the second Plan period. But as against this, notwithstanding all handicaps, the private sector has given a better account of its performance, and it is the claim of the Association that "there is every reason to hope that the non-government sector is in a position to offset the underinvestment in the government sector, especially in the field of industry, as it did during the first Plan period".

But if the private sector has to play this role successfully, the Association points out, it is necessary to allow more scope for savings and to encourage investment in the right direction. The Government has itself admitted that individual and corporate savings have both fallen below expectations.

Now if it is conceded that the Indian system of taxation is the main inhibiting factor for the rapid economic development of the country, it follows that the very first thing that is necessary is to reshape our present taxation system with a view to reviving incentives to initiative, enterprise, and investment. It is significant that, while making suggestions for taxation reliefs, the Bombay Association has divided the measures to be undertaken into three categories, namely (1) measures which are relatively unproductive of revenue but which act as deterrents, (2) measures which have incentive effects on production activity but which can be introduced without sacrificing much revenue and (3) measures which are relatively productive of revenue but have disproportionately adverse effects on incentives. The case for relief in each one of these cases has been ably argued by the Association and it is not necessary to cover that ground here. While it is no doubt true that these suggestions have come a little too belatedly, in the sense that the Budget proposals for 1958-59 have already been formulated, there is no reason why some of the suggestions should not be accepted even now, that is at the time the new Budget proposals are discussed. In any case, there is no sense in continuing these measures which are not only unproductive of revenue but are also acting as deterrents to productive activity. Similarly, if any incentive can be given to productive activity without sacrificing much revenue, the government should not grudge offering them. It may perhaps be too much, however, to expect the government to forgo revenue even in cases of measures which admittedly have a disproportionately adverse effect on incentives. But even here, as, for example, in the case of wealth tax on companies, the powers-that-be would do well to weigh the enormous psychological effects of any relief rather than view them in the narrow context of merely raising revenue.



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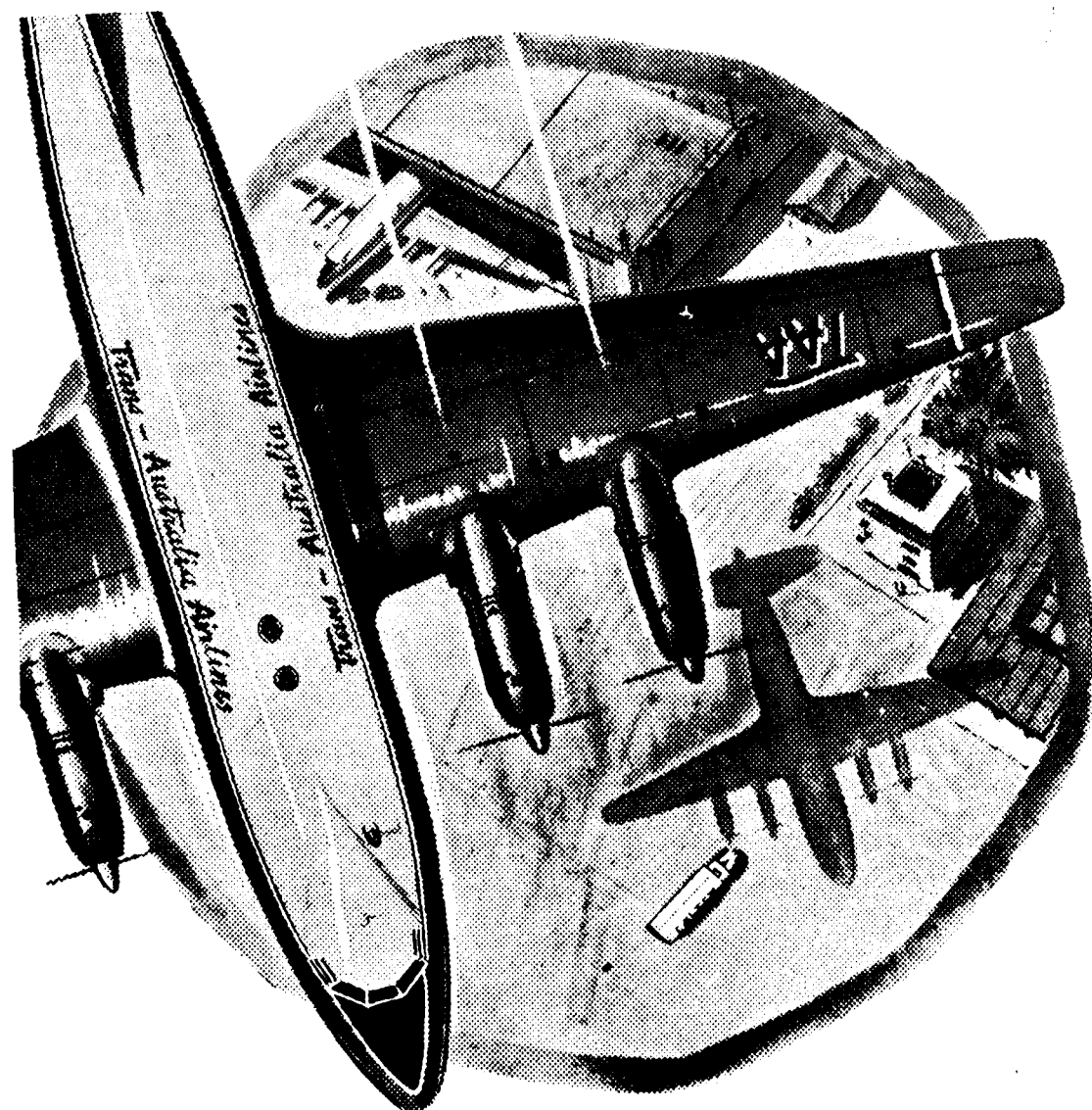
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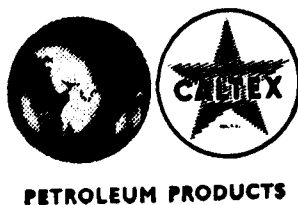
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BUSINESS NOTES

FORWARD TRADING IN BULLION

THE GOVERNMENT OF INDIA has taken a right decision in rejecting the recommendation of the Forward Markets Commission in its Report in regard to the future of forward markets in gold and silver. The Commission had recommended the limiting of futures markets in gold and silver to Bombay and Delhi and in silver only to Jaipur and Calcutta.

Forward trading in bullion on varying scales is currently carried on in a number of towns spread all over the country. Any measure to curtail or stop the activities of these forward markets in bullion will not fail to create huge administrative problems. In the first place, it will create enormous pressure on the markets in these four cities. Secondly, it is highly probable that it will create a huge problem of irregular forward trading in other places, especially those which are far removed from these centres.

The assumption that hedge trading is necessary only for the commodity markets and not for bullion is extremely erroneous. There is no doubt that internal production of these two metals is not of a high order, but the total amount of trading which goes on all over the country in a single year touches more than two hundred crores of rupees. In a trade where financial transactions of this vast magnitude take place, the need for hedge trading for the wholesalers, and even for the retailers, is of prime necessity. Any step which attempts to curtail the activities of this sector will naturally express itself in some illegal form.

The only effective method of reducing the activities of these forward markets is to educate the masses so that their savings are kept not in gold or silver but in the shape of Plan Certificates. The amount of jewellery which passes hands at every marriage season is a clear indication of the faith of the masses in these two metals. Unless steps are taken to attract the attention of the people to nation-building activities for which considerable investment is needed, the saving habits of the people will not move into healthy channels.

The Report of the Forward Markets Commission has however, been extremely realistic in one respect. It has rejected completely the plea put in by certain circles that futures trading encourages smuggling of gold. The Commission has rightly pointed out that smuggling arises because of the vast difference in prices in the domestic and international markets; whereas the present internal price of gold is around Rs. 110 per tola, the corresponding price in New York and London is Rs. 63 per tola. This sharp difference in price is the root cause of smuggling.

A POONA CONFERENCE

THE POONA District Commercial Conference held last Sunday in Poona was in a sense a unique occasion. For the first time small business men and shopkeepers belonging to more than 25 associations of the region met together for devising ways and means of getting their grievances redressed by democratic means. The inaugural address of Mr. Muraji J. Vaidya gave the conference the requisite lead. His theme in substance was that business men in this country had all along tended to be passive and somehow reconciled themselves to the various restrictions and harassments imposed by Authority instead of trying to take action in an organised manner. The result was too often in the process some of them even had to break the rules and regulations in force which brought on the entire community public opprobrium. This is indeed an

unfortunate state of affairs. The contributions of the business community to public causes and party funds are not insignificant and the misdeeds of a few should not make them enforce a self-denying ordinance on themselves for living as respectable citizens.

Mr. Vaidya rightly urged therefore that first they must set their house in order and raise their own moral standards by adopting a code of conduct. It will be then easy for them to join together and consider their grievances and represent to Authority in what ways the unreasonableness or impracticability of some of the legislative measures and controls operate to their detriment. They would have then no occasion to circumvent any rules or regulations but could come out openly to get their grievances redressed by suggesting proper methods and means. It is time that the business community heeded to this eminently sound advice so that they can forcefully assert their rights and privileges as citizens of a free and democratic society.

A CORRECT APPROACH TO EXPORT PROMOTION?

AN ORGANISED body like the All-India Exporters' Association should be in a position to speak with more intimate knowledge and greater authority than most other interests on the subject of export promotion. It is unfortunate that this weight of authority has not been brought to bear in judging the practical value of the recommendations of the Export Promotion Committee by the Association's president in his address at its annual meeting held last week. He has rest content with a passive remark that Government has not so far taken the trade and the public into confidence by revealing which recommendations of the Committee have been approved for action.

The Associations's president has put in a plea for setting up a machinery to review the progress registered in the work of export promotion and to issue quarterly reports for the guidance of the trade. These reports, it is urged, should give information on changing overseas market trends, consumer preference, improvements necessary in Indian goods and so forth. How that machinery should be constituted and operated has not been explained. But the faith which has been shown in the effectiveness of the assistance which our Trade Commissioners can give in this task is naive. Some of the important observations made by the Export Promotion Committee on the quality of our Trade Commissioners are hardly edifying to this class. Referring to the remarks of foreign visitors to this country to the effect that the fact of manufacture of certain high quality goods in India has not come to their knowledge, the conclusion is rightly drawn that our products have not been properly publicised "in foreign markets." But can this failure be really rectified by setting up exhibitions of our export goods in our major ports as advocated?

PIPE INDUSTRY'S GRIEVANCE

IN HIS presidential address to the annual general meeting of the Indian Pipe Manufacturers' Association, Mr. L. C. Raisurana cogently argued the case for Government assistance in fostering the growth of the indigenous pipe industry which, barring the two big units, consists of only 10 small-scale units with a capacity of about 20,000 tons. The main difficulties confronting this small-scale sector are in the matter of supply of raw materials and Government's import policy. Mr. Raisurana pointed out that the utilisation of capacity depended upon the availability of raw materials for which they were now dependent on Government distribution of steel strips from the Tatas. Since this was

the only source for them, he pleaded that the Government should distribute the entire quality for the small-scale sector since the big units had an assured source of supply though a strip mill installed for this purpose by the Tata Iron and Steel Company. As regards import policy, Mr. Raisurana suggested that this should be realistic and the imports of pipes should be only to the extent of the gap between the demand in the country and the indigenous supplies. Also to the extent that raw material supplies were inadequate, their imports should be allowed so that all the requirements for pipes could be manufactured by the units in the industry, both big and small. Government also could help the industry by buying their products wherever possible and this is bound to instil confidence in small-scale units.

TRENDS IN THE INDIAN ECONOMY

THE OBSERVATIONS made by Sir B. P. Singh Roy, at the third quarterly general meeting of the Indian Chamber of Commerce on certain aspects of the economy are to be valued for their realistic approach. It is true that the emphasis in the second Plan as also in the first Plan had been on raising the level of production. While much attention had been given to increased production, little had been done to promote the level of demand and the rate of consumption—not a healthy trend in an economy where the standards of living were desperately low. In order to have a balanced economy, Sir B. P. Singh Roy remarked, it was essential that the capacity for consumption be also augmented along with the increasing sources for production. Drawing attention to the trends in prices, Sir B. P. Singh Roy showed that industrial sector had played its part in holding the price line which was evident from the fact that despite the substantial increase in food grains and raw material prices, the prices of manufactured goods had been kept low.

Pointing out the possibility that the railway freight structure may be revised in the light of the recommendations made by the Railway Freight Structure Enquiry Committee, Sir Bijoy remarked that if the freight rates were raised to an uneconomical level it would affect the pace of industrialisation adversely. There is force in this contention. Any increases in freight rates at this time will be ill-advised as costs will be pushed up and the competitive strength of exports will suffer. As a matter of fact the real need is to expand the railway capacity to meet the growing demands of the industry in the Plan period. In order to iron out uneven trends in the economy, self-sufficiency in raw jute, enough wagons for coal, an easing of tax burdens on tea, and the requisite imports of capital goods, machine tools and raw materials need to be provided.

TISCO'S GOLDEN JUBILEE

THE CELEBRATIONS to be held in the first week of March at Jamshedpur will mark the founding of the Tata Iron and Steel Company exactly 50 years ago by Jamsetji Tata, a pioneer in the field of Indian industry. Few people in this country know that when TISCO was founded and the Tata family wanted to raise capital in England, it had a cold reception. It was the Indians within the boundaries of the country — about 8,000 of them — who parted with their savings in order to launch this venture. All that was known at that time was that India possessed iron ore in sufficient quantity and that there was a great future of this industry in the country.

The steel factory has grown in dimensions far beyond the original intention and the capacity of the factory is now scheduled to double in the second Five-

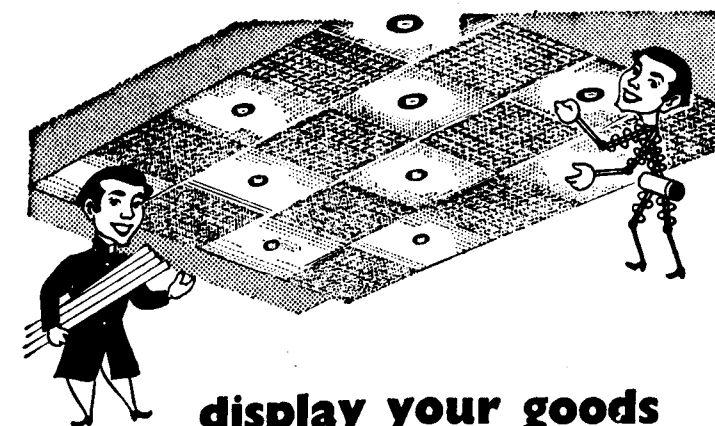
Year Plan. The plant is today the largest integrated steel unit not only in India but also in Asia. By the end of the second Plan, its capacity will rise to 2 million tons. The co-operation between the management and the staff of the factory during the last 50 years has served as an example to the other industrial units. There were times when the staff of the Company voluntarily accepted a reduction in salaries. That happened during the days of the great depression in the thirties. The latest agreement between the management and labour has paved the way for better industrial relations between these two arms of the factory. The management has always been guided by the principle that industry could flourish in the long run only under conditions of peace and stability.

FOREIGN TRADE

IT IS axiomatic that the foreign trade of a country is a two-way traffic. Any policy which shuts out partially or completely the import of foreign goods for a fairly long period is, therefore, bound to have its repercussions on the export front also. However, it is not clear if the framers of our foreign trade policy realise this aspect of the question sufficiently, since, in season and out, they go on laying stress on import curbs in order to save foreign exchange. This is not to suggest that all import restrictions should be scrapped. For everyone — even those who are engaged in the import trade — realises only too well the foreign exchange difficulty the country has been facing and is not unprepared to make his own quota of sacrifices. But this need not preclude one from making a plea for a rational approach, which, whilst taking into account our present foreign exchange difficulty, does not, at the same time, underestimate or ignore its effects on our future export trade. Indeed, there is need frequently to remind ourselves about this. Accordingly, Mr. Shantilal M. Shah, President of the All-India Importers' Association, did well to highlight this aspect in his address at the last annual general meeting of that body, held this week in Bombay. He said: "The continuance of the drastic policy of whittling down or banning imports is not in the larger interests of the country, as it would eventually affect the rate of development itself. The remedy to meet the foreign exchange scarcity by intensified import restrictions might prove to be worse than the disease itself, if it should lead to a curtailment of the supply of raw materials and capital goods and thereby impinge upon the country's production, employment, and national income."

Characterising the tightening of imports to solve our present difficulties as no more than 'first-aid' measures the A.I.I.A. chief said that, as the foreign exchange problem was "far more fundamental," a mere cut in imports would not solve the problem. On the contrary, he felt apprehensive that this might react on our export trade, inasmuch as the countries whose exportable goods would be affected by our import restrictions might not very well feel inclined to buy our goods, and this, in turn, might aggravate our balance of payments difficulties.

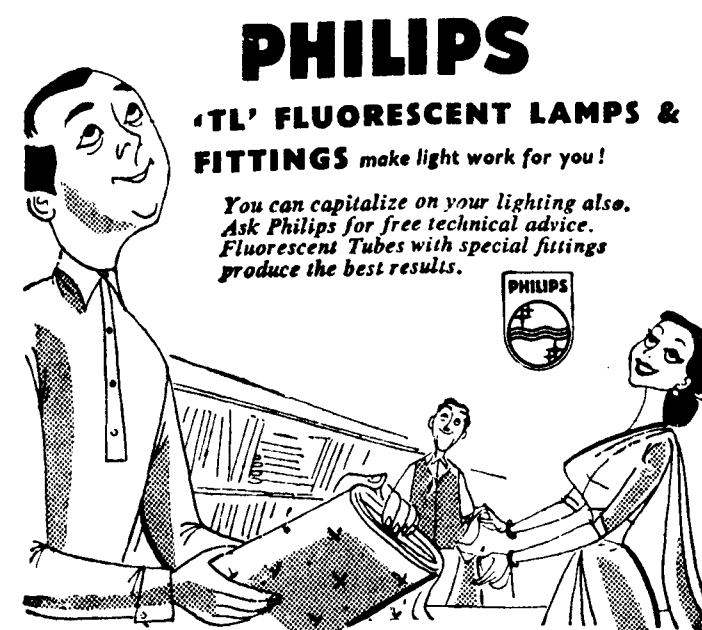
If import curbs have affected employment in one way, as Mr. Shah said, the activities of the State Trading Corporation, which has been spreading its branches all the time, have also affected adversely the employment problem in another way. Mr. Shah was, therefore, constrained to complain in his speech that a number of people in the foreign trade and ancillary services had been thrown out of employment as a result of the steady encroachment of the S.T.C., and to plead for putting a stop at least to the further expansion of its activities. The S.T.C. would do far better, if, in these circumstances, it were to associate private traders with its activities and functioned as a supplementary trading body instead of supplanting normal trade channels.



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Economic Report from the U. S.

IMPORTS REACH NEW HIGH

(By GUY SIMS FITCH)

WASHINGTON, Feb. 25.—The preliminary official figures on US imports for 1957 are in now, and they offer some heartening surprises. For they show that US purchases from other countries not only held up well as the year progressed, but actually increased to an all-time high. And what may be at once the most heartening and the most surprising element of all is that this import increase came at a time when the US economy clearly was turning downward. This could well be taken as a reflection of two significant facts. One is that the US economic adjustment, while it has carried with it some declines in production, employment and income, has on the whole been rather moderate. The second is that other countries obviously have not been harmed to any great extent by it, and fears that they they might be seem—certainly up to now—somewhat exaggerated.

The 1957 figures, as released late last week by the US Department of Commerce, show that US imports from the rest of the world topped those of 1956, the previous record year, by 3 per cent. At a total of \$12,978 million, they actually exceeded by a small but significant margin the expectations of many experts. But this is only part of the story. In order to reach this new mark, imports had to show exceptional strength during the closing months of the year, when US economic activity was slackening. Yet, during the last quarter of 1957, imports totalled and estimated \$3,339 million, an all-time quarterly high. And in December, they totalled an estimated \$1,151 million,

an all-time monthly high. What is more, customs collections by the US treasury—usually a good barometer of import trends—have indicated continued strength of import into 1958. In January, collections were up nearly 7 per cent from December 1957, when imports hit a new high, and 8 per cent from January 1957, when imports were valued at \$1,113 million. And indications are that no sharp break from this pattern occurred in February.

This import strength has contributed to a significant narrowing of the US trade gap (the excess of US merchandise exports over imports) since the middle of last year. Total US payments abroad—not only for imports but also such payments as US private investment and Government outlays—reached a record high in 1957 for the fourth successive year. Nevertheless, 1957 saw a reversal of a five-year trend when other countries saw their collective dollar reserve shrink by about \$600 million as a result of their transactions with the United States. But this was due primarily to the extraordinary rise in US exports and a relatively large inflow to the United States of short-term foreign capital in the first half of the year. During the latter part of 1957, with US imports at record levels, with US exports settling down, and with the flow of foreign capital to the US abating, other countries were able to restore an approximate balance in their financial relationship with the United States. In fact, a number of countries seem to have resumed their long-term build-up of gold and dollar holdings.

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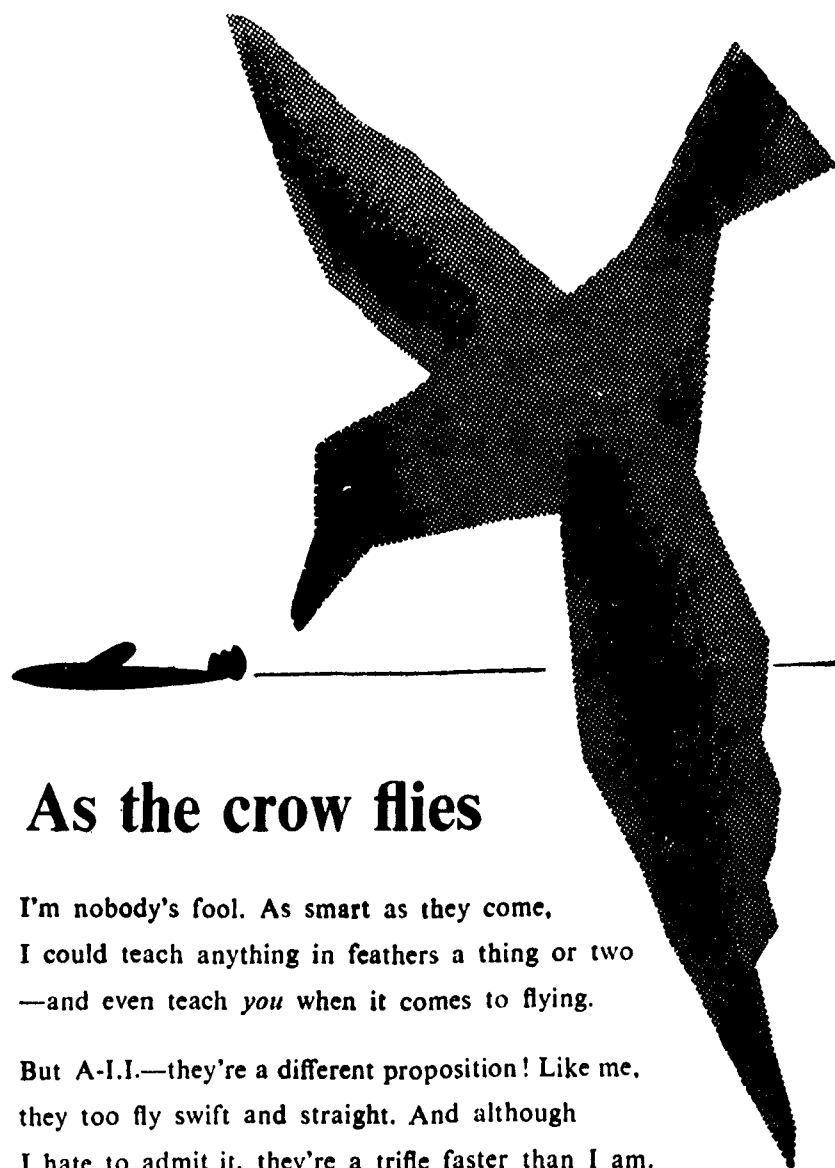


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The Bank's total profit increased from Rs. 14.87 lakhs in 1956 to Rs. 17.17 lakhs in 1957. Despite restrictions on bank credit, the Dena Bank, whose deposits rose from Rs. 19.50 crores to over Rs. 23.32 crores, was able to increase its total advances from Rs. 11.93 crores to Rs. 13.97 crores. The Reserve Fund at the end of the year under review stood at Rs. 40 lakhs, as compared to the total paid-up capital of Rs. 50 lakhs. The provisions out of the disposable profits for the year include a transfer of Rs. 5 lakhs to Reserve Fund, Rs. 50,000 to Investment Reserve, and Rs. 8 lakhs to taxation. Together with the final dividend recommended by the Directors of Rs. 1.75 per share free of Income-tax the total dividend for the year works out to 6 per cent per annum, the same as for the previous year.

MARTIN BURN LTD.

The Profit and Loss Account of the Company for the year ended September 30, 1957, after making provision for taxation and contingencies shows a net profit of Rs. 38,44,087. A sum of Rs. 2 lakhs has been transferred to the Capital Redemption Reserve Fund and Rs. 3 lakhs to the General Reserve. The dividend payable on the Preference Shares for the half years ended March 31, 1957 and September 30, 1957 has absorbed a sum of Rs. 3 lakhs. The dividend on the Ordinary Share Capital of the Company at the rate of Rs. 1.50 per share has absorbed Rs. 21.79 lakhs. A cash Bonus of nP. 62 per share has absorbed another Rs. 9.01 lakhs. The balance of Rs. 2.35 lakhs has been carried forward.

THE CENTRAL INDIA SPINNING, WEAVING & MANUFACTURING CO., LTD.

The audited accounts of the Company for the year ended June 30, 1957 show a loss to the extent of Rs. 20,79,433. This unsatisfactory working is accounted for by the considerable disruption and dislocation of normal working caused by the large scale renovation programme. Partly it was also caused by the depressed state of the cloth market and the increase in labour costs. The Directors have transferred for Reserve Fund a sum of Rs. 20,66,218 to meet the net loss.

No dividend has been declared on the Ordinary or Preference Shares of the Company for the year under review and in view of the loss, the Managing Agents have foregone their minimum commission of Rs. 50,000, to which they were entitled.

Untimely rains and cold spells affected the cotton crop all over the country, resulting in low yields and also quality damage during the year. Mill consumption on the other hand increased remarkably, with the result that all leading varieties of cotton touched the price ceiling. The amount spent on the purchase of cotton was, therefore, Rs. 1.56 crores against Rs. 94.8 lakhs spent last year.

The Directors have embarked on an extensive renovation and rehabilitation programme costing Rs. 2.03 crores, in order to put the Mills on a remunerative basis. In August 1956 the Company applied to the N.I.D.C. for a loan of Rs. 1.5 crores to finance their programme of renovation, but it seems the amount granted may be considerably lesser.

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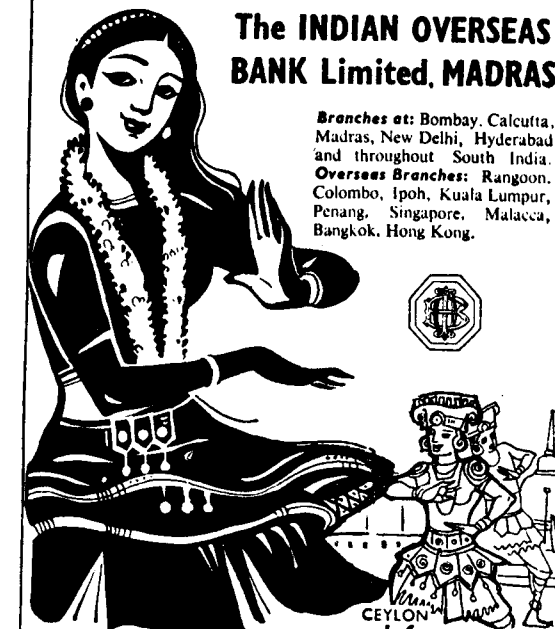
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COMMODITY NEWS AND NOTES

EXTENSION OF AREA UNDER SEA ISLAND COTTON

About 2,500 acres are proposed to be covered by Sea Island cotton, "Andrews" variety, in Kerala, Mysore and Assam in 1958-59, according to a programme approved by the supervisory sub-committee on sea island cotton. This and other sub-committees set up by the Indian Central Cotton Committee which met under the chairmanship of Dr. M. S. Randhawa, Additional Secretary, Union Ministry of Food and Agriculture, reviewed the progress made in different cotton extension schemes throughout the country. The cotton forecast sub-committee suggested that further efforts be made for better distribution of improved seeds and fertilizers. It also suggested expansion of area under irrigation by educating farmers in utilisation of irrigation water, intercropping of cotton, and adoption of plant protection measures. A sub-committee was appointed to examine the position regarding targets of cotton production for the third and fourth Five-Year Plan periods. A proposal for a survey of cotton marketing in India was approved, and a sub-committee appointed to finalise the arrangements for it.

COMMON SALT FOR ANIMAL CONSUMPTION

The Indian Standards Institution has circulated, for eliciting comments, two draft Indian standard specifications for (i) common salt for animal consumption, and (ii) cattle licks (plain and mineralized). Common salt, which forms an essential ingredient of balanced food for animal consumption is produced in our country from various sources, sea water being the chief source. Owing to the diversity of sources and variations in the practice of manufacture and storage, there exists a considerable variation in the quality of the salt. Cattle licks, at present, are to be imported in India since blocks of rock salt are no more available. The Estimates Committee of the Lok Sabha, therefore, requested the Indian Standards Institution to formulate Indian standards for common salt for animal consumption and for cattle licks to help manufacture of a special grade of common salt of acceptable quality and fit for animal consumption. The draft standards prepared by the institution prescribe the requirements and methods of test for the material. Comments on this draft may be sent before April 15, 1958 to the Indian Standards Institution, Manak Bhavan, 9, Mathura Road, New Delhi.

EXPORT ALLOTMENT OF TEA

The Government of India have declared the export allotment of tea for the year 1957-58 at 460.96 million lbs. This represents 63.44 per cent of the crop basis for the year, which is estimated at 726.56 million lbs.

STOCKS OF FOODSTUFFS

In a written reply to a question jointly put by Sarvashri Harish Chandra Mathur and D. C. Sharma, Shri A. P. Jain, Union Minister for Food and Agriculture, said in the Lok Sabha recently that the stock of food grains with the Central Government on February 1, 1958, was about 807,000 tons. No estimate of stocks held by trade was available. Shri Jain added that we might be able to import about 15 to 17 lakh tons during the first six months of 1958.

PRODUCTION OF LEAD & ZINC ORES IN INDIA

The production of lead and zinc ores in India during the quarter ending December, 1957, increased to 24,121 tons from 24,004 tons in the preceding quarter, according to the Indian Bureau of Mines. The production was higher by 1,880 tons as compared to the corresponding quarter of 1956. The entire production was reported from the Zawar mines of Rajasthan. The lead and zinc concentrates recovered from the ores during the fourth quarter of 1957 totalled to 1,253 tons and 1,350 tons respectively as compared to 1,340 tons and 1,906 tons in the preceding quarter. The lead concentrates are sent to the smelting plant at Tandoor in Bihar. In the absence of a smelter plant zinc concentrates are sent to Japan for smelting. The total production of lead and zinc ores during 1957 was 95,462 tons as compared to 79,959 tons in the preceding year. The recoveries of lead and zinc concentrates amounted to 4,850 tons and 7,469 tons respectively as against 3,909 tons and 6,880 tons in 1956.

SOVIET GOLD OUTPUT

A leading bullion house, Samuel Montagu and Company has reported that latest estimates of USSR gold production put it as high as South Africa's 17 million ounces (595 million dollars). It added that record Soviet sales of 7,500,000 ounces in 1957 (against the previous record of 4,300,000 in 1956) thus represented less than half the year's production. It gave no details of supporting evidence for the big USSR production estimate. Of the Soviet sales it said "we can safely assume that they were consequential to the balance of payments difficulties both of the USSR and the countries economically dependent upon her."

INCREASE IN SESAMUM ACREAGE

According to the Directorate of Economics and Statistics, Ministry of Food and Agriculture, the all-India third estimate of sesamum 1957-58, puts the current year's area at 5,287,000 acres as against the corresponding adjusted estimate of 5,145,000 acres for 1956-57. This shows an increase of 142,000 acres or 2.8 per cent in area during the current year as compared to last year. The increase in area during the current year has been shared mainly by Rajasthan and Madhya Pradesh and has been attributed to favourable weather conditions at the sowing time. The increase in acreage has, however, been offset to some extent by decreases mainly in Bombay and Uttar Pradesh. This estimate generally covers the period up to the end of December 1957. Till then, the condition of the crop was reported to be generally satisfactory except in parts of Nasik district and Saurashtra region of Bombay State, and drought affected districts of Uttar Pradesh. The production of sesamum in Rajasthan, Madhya Pradesh and Mysore is reported to be higher by 5 to 15 per cent up to December this season as compared to the corresponding period last season, while in Madras and Andhra Pradesh production of sesamum is reported to be lower by 3 to 4 per cent. In Uttar Pradesh, however, the production this year is reported to be lower by 20 per cent. The over-all production of sesamum up to the end of December 1957 is reported to be about 3 per cent lower this season as compared to the corresponding period of the last season. This estimate does not cover the entire area sown to this crop during 1957-58. Past experience has shown that the area at the third estimate stage forms roughly 95 per cent of the area under the crop finally reported.

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CURRENT STATISTICS

INDEX NUMBER OF WHOLESALE PRICES

(Base: 1952-53 = 100)

						Manufactures			All Commo- dities
						Food articles	Liquor & Tobacco	Fuel Power Light & Lubricant		Industrial Raw materials	Inter- mediate Products	Finished Products	Total
1953-54	..	106.7	98.6	99.2	109.7	98.5	99.0	98.9	104.5
1954-55	..	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.5
1955-56	..	86.6	81.0	95.0	99.1	100.1	99.6	99.7	92.4
1956-57	..	102.2	84.3	104.1	116.0	110.9	105.5	106.2	105.2
July	1957	111.3	93.7	114.0	121.6	108.6	108.8	108.8	111.9
August	"	112.1	92.1	114.7	120.1	108.2	108.6	108.6	112.0
September	"	108.5	93.7	114.5	115.4	107.3	108.9	108.6	109.5
October	"	107.2	95.0	114.5	114.8	106.7	109.1	108.6	108.8
November	"	107.9	96.5	115.0	116.0	106.0	108.8	108.4	109.3
December	"	104.0	97.5	114.9	115.4	105.7	107.8	107.5	107.0
January	1958	102.6	96.4	114.4	113.7	106.7	107.7	107.5	106.0
Week Ended									
11-1-1958	..	102.6	96.9	114.6	114.3	106.6	107.8	107.6	106.1
18-1-1958	..	102.5	96.1	114.4	113.7	106.8	107.8	107.7	105.9
25-1-1958	..	102.2	96.0	114.4	112.8	106.6	107.6	107.5	105.6
1-2-1958	..	100.6	96.7	114.5	111.2	105.9	107.7	107.4	104.6
8-2-1958	..	99.9	96.7	114.5	110.4	105.5	107.4	107.2	104.0

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

period	Bombay			Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934 = 100	Alameda-bad July 1927 = 100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936 = 100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	138
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	330	161	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	218	130	321	371	364	133	321	134	135	132
1956	336	352	244	142	347	424	397	151	356	152	146	145
1957	352	368	259	150	364	448	—	162	375	157	158	152
1957 March	339	355	254	151	348	433	414	158	367	158	148	148
April	339	355	256	148	345	427	415	162	369	161	152	148
May	346	362	257	151	352	441	420	163	369	157	156	150
June	352	368	259	152	371	446	423	168	373	159	156	153
July	358	374	263	152	371	459	424	165	375	159	164	155
August	359	375	265	155	375	468	427	163	373	157	166	156
September	357	373	262	149	378	464	426	160	372	156	167	155
October	356	372	260	149	375	461	429	162	375	155	166	153
November	365	383	265	148	378	457	431	165	391	156	168	156
December	365	383	257	145	375	443	—	165	390	154	166	157
1958 January	—	—	—	144	—	434	—	—	387	—	—	—

Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	21-2-1958			14-2-1958			7-2-1958			31-1-1958		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola)	114.03	111.62	112.83	114.37	113.19	113.94	112.94	112.31	112.69	112.19	110.87	111.39
Silver (per 100 fine tolas)	193.12	190.69	192.21	191.00	188.69	189.59	189.06	187.44	188.28	188.56	186.94	187.72

RESERVE BANK OF INDIA
ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES					ASSET				
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1938-39*	182.36	28.28	210.64	44.42	66.95	111.37	52.91	67.11	32.16	210.64
1948-49*	1,231.84	22.02	1,253.86	42.49	907.47	949.96	75.43	42.98	265.62*	1,253.86
	(5.58)	(5.58)						(80)		(5.58)
1949-50*	1,128.94	24.00	1,152.94	40.02	647.04	687.06	59.59	50.53	415.36	1,152.94
1950-51*	1,163.21	17.19	1,180.40	40.02	624.70	664.72	56.31	57.21	458.47	1,180.40
1951-52*	1,189.84	27.78	1,217.62	40.02	625.27	665.29	54.64	63.98	488.36	1,217.62
1952-53*	1,114.84	27.87	1,142.72	40.02	604.40	644.42	52.89	80.22	458.08	1,142.72
1953-54*	1,133.95	23.03	1,156.97	40.02	604.02	644.04	54.80	92.83	430.11	1,156.97
1954-55*	1,196.19	22.98	1,219.18	40.02	648.81	688.83	56.58	102.26	428.09	1,220.18
1955-56*	1,339.39	17.08	1,356.47	40.02	656.52	696.54	51.35	106.87	553.06	1,366.47
1956-57*	1,475.77	18.75	1,494.52	44.42	545.61	595.63	39.95	115.61	755.22	1,494.52
				(117.76)		(663.37)	(44.37)			
Average of Fridays										
May 1957	1,582.22	17.53	1,599.75	117.76	412.52	530.28	33.35	125.60	943.87	1,599.75
June	1,567.48	29.03	1,596.51	117.76	412.52	530.28	33.28	125.17	941.06	1,596.51
July	1,527.79	34.84	1,562.62	117.76	406.52	524.28	33.55	127.54	910.81	1,562.63
August	1,495.65	30.71	1,526.37	117.76	369.52	487.28	31.92	131.22	907.87	1,526.37
September	1,477.66	36.41	1,514.07	117.76	338.60	456.36	30.14	133.82	923.89	1,514.07
October	1,487.74	26.43	1,514.17	117.76	317.92	435.68	28.78	133.92	944.57	1,514.17
November	1,481.61	32.86	1,514.47	117.76	293.14	410.90	27.13	134.22	969.35	1,514.47
December	1,508.32	14.69	1,523.01	117.76	278.95	396.71	25.28	132.76	993.53	1,523.01
January 1958	1,533.77	13.77	1,547.54	117.76	256.42	374.18	24.18	131.41	1,041.95	1,547.54
Week Ending 31-1-1958	1,531.20	20.72	1,551.92	117.76	245.54	363.30	23.41	131.80	1,056.82	1,551.92
7-2-1958	1,558.63	11.01	1,569.64	117.76	245.54	363.30	23.15	129.52	1,076.82	1,569.64
14-2-1958	1,557.65	11.86	1,569.51	117.76	245.54	363.30	23.15	129.39	1,076.82	1,569.51
21-2-1958	1,546.01	24.11	1,570.12	117.76	245.54	363.30	23.12	130.00	1,076.82	1,570.12

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS					TOTAL LIABILITIES & ASSETS*	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad §	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Banks	Others	Total								
1938-39*	14.90	..	16.19	75	31.84	1.28	43.12	28.38	1.53	4.21	1.72	2	90
1948-49*	222.17	16.93	80.63	56.52	393.72	16.33	419.05	22.12	4.28	307.78	1.71	3.34	4.14
	(14.33)	(3.04)									(1)		
1949-50*	141.19	23.12	67.00	64.39	295.69	15.76	321.45	24.12	4.30	280.91	3.36	8.39	4.34
1950-51*	148.60	17.71	62.22	62.29	290.82	18.14	318.97	17.31	3.04	107.70	2.37	6.77	5.06
1951-52*	181.30	15.95	58.68	69.22	325.15	18.62	353.77	27.92	6.31	187.14	5.90	19.42	11.91
1952-53*	136.40	7.79	62.89	61.93	259.02	23.69	292.71	28.03	6.64	133.56	2.85	19.03	12.83
1953-54*	105.44	23.40	46.52	57.45	232.80	23.91	266.72	23.22	9.46	123.31	1.78	19.84	7.51
1954-55*	89.13	20.66	55.20	36.29	201.28	23.62	234.90	23.24	6.10	87.53	1.14	28.55	9.82
1955-56*	60.11	19.85	53.77	18.31	152.04	35.59	197.64	17.21	9.78	66.96	1.73	36.99	15.61
1956-57*	57.52	14.10	52.46	19.73	143.81	91.21	245.02	18.91	5.69	64.77	4.89	85.34	13.60
Average of Fridays													
May 1957	52.89	4.38	63.37	83.53	204.18	152.64	366.82	17.67	4.45	64.50	18.91	111.31	13.62
June	53.09	3.29	71.77	112.40	240.55	153.86	404.41	29.16	3.82	46.98	24.53	98.02	13.57
July	53.64	2.79	80.56	149.28	292.27	45.01	422.28	34.97	3.10	29.21	26.99	74.82	12.18
August	65.46	7.40	90.60	126.86	290.31	46.20	421.51	30.84	3.38	20.04	31.46	81.90	8.49
September	51.52	7.96	101.67	110.31	271.46	49.15	405.61	36.54	5.99	27.32	42.90	68.80	12.90
October	51.93	7.91	98.04	112.25	269.12	56.59	410.71	26.53	3.04	18.34	49.26	72.21	17.98
November	52.89	8.94	104.79	110.91	277.53	58.06	420.59	33.00	2.28	24.37	41.23	58.22	17.35
December	57.64	8.22	75.00	115.07	255.94	58.52	399.46	14.80	4.78	24.38	36.07	55.13	16.22
January 1958	54.97	21.36	68.29	114.61	259.22	72.24	416.46	13.88	2.83	31.49	35.40	68.03	16.67
Week Ending 31-1-1958	58.13	27.34	75.73	113.21	274.41	73.47	432.88	20.84	1.22	37.75	36.04	65.27	17.03
7-2-1958	57.52	13.12	71.92	113.57	256.13	70.38	411.50	11.07	2.16	35.42	40.62	71.76	17.34
14-2-1958	51.82	24.83	69.26	113.52	259.43	70.49	414.92	11.99	1.81	33.61	38.21	69.07	17.38
21-2-1958	51.01	16.73	77.34	113.04	258.12	76.42	419.54	24.24	2.50	31.75	39.72	64.68	16.07

* Average of Fridays. ** Includes (i) paid-up capital of Rs. 5 crores and (ii) reserve fund of Rs. 5 crores up to June 28, 1957 and of Rs. 80 crores from July 5, 1957. † Includes National Agricultural Credit (Long-term Operations) Fund of Rs. 15 crores from July 6, 1956 and of Rs. 20 crores from July 5, 1957 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 2 crores from July 5, 1957. § Includes cash and short-term securities Figures in brackets refer to Pakistan. NOTE: The Gold Reserve of Issue Dept. are revalued at Rs. 62.50 per tola from Oct. 6, 1956.

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5+6) as percentage of (4)	Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Govt. Securities in India
	Demand	Time	Total (2+3)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1938-39*	123.81	103.30	227.11	6.38	15.88	9.80	111.34	460	51.05	..
1948-49	674.56	303.88	978.44	37.51	76.63	11.67	424.85	16.44	45.10	..
1949-50	597.79	272.59	870.38	34.47	65.85	11.53	426.74	15.35	50.79	..
1950-51	599.13	278.45	877.59	34.68	60.78	10.88	447.03	11.87	52.29	..
1951-52	593.73	290.82	884.55	37.33	57.29	10.70	523.59	22.81	63.06	303.48
1952-53	546.23	309.26	855.49	33.33	51.82	9.95	461.64	38.47	60.48	306.34
1953-54	526.75	328.26	855.00	31.97	44.48	8.98	442.79	51.40	59.56	321.29
1954-55	559.62	351.86	911.55	32.66	53.91	9.50	468.39	81.66	60.68	339.74
1955-56	608.64	407.95	1,016.59	34.64	52.52	8.69	514.37	118.08	63.02	370.71
1956-57	653.34	453.92	1,107.26	36.94	50.23	7.96	626.08	155.56	71.39	359.35
Average of Fridays										
October 1957	734.45	629.75	1,364.19	43.57	92.51	9.97	688.88	166.41†	62.70	387.75
November	736.45	658.87	1,395.81	38.92	102.38	10.12	685.52	161.98†	60.72	407.15
December	716.73	683.20	1,399.93	38.83	72.31	7.94	698.55	149.07†	60.53	431.33
January 1958	718.43	694.22	1,412.65	38.58	66.46	7.26	736.87	155.37†	63.16	443.62
Week Ending 10-1-1958	699.70	690.59	1,390.29	38.50	58.28	6.09	728.57	152.60†	63.38	434.06
17-1-1958	712.85	690.15	1,403.00	39.07	60.10	7.07	735.73	154.44†	63.45	434.03
24-1-1958	736.01	696.47	1,432.48	37.41	73.97	7.77	743.67	158.19†	62.96	433.99
31-1-1958	737.48	701.21	1,438.69	37.60	73.54	7.73	756.30	161.08†	63.07	432.55
7-2-1958	709.52	719.81	1,429.33	38.20	71.12	7.65	766.34	152.31†	64.27	431.95
14-2-1958	717.25	721.37	1,438.62	38.93	66.66	7.34	773.12	150.10†	64.17	432.81

* Undivided India.

† Including foreign bills purchased and discounted.

MONEY SUPPLY IN INDIA

(Lakhs of rupees.)

Last Friday		Money supply with the public	Total currency with the public	Deposit money with the public			Total variations in money supply
				Total	Demand liabi- lities of banks	Other deposits with Reserve Bank†	
(1)		(2)=(3)+(4)	(3)	(4)	(5)	(6)	(7)
1952-53	..	1,764.71	1,199.25	565.46	548.05	16.51	-39.08
1953-54	..	1,793.97	1,229.43	564.54	549.83	14.71	+29.26
1954-55	..	1,920.63	1,311.77	608.86	599.16	9.71	+126.65
1955-56	..	2,184.32	1,505.09	679.23	667.22	12.01	+263.69
1956-57	..	2,312.89	1,556.50	756.39	744.74	11.65	+128.57
January 1957	..	2,220.47	1,509.90	711.57	724.46	10.77	+42.82
February	..	2,264.55	1,528.31	736.24	744.74	11.78	+43.08
March	..	2,312.89	1,556.50	756.39	763.43	11.65	+48.34
April	..	2,362.37	1,586.44	775.93	762.01	12.51	+49.48
May	..	2,381.99	1,596.43	785.55	767.79	23.55	+19.62
June	..	2,344.04	1,562.85	781.19	758.55	22.64	-37.95
July	..	2,307.41	1,522.11	785.30	763.41	21.89	-36.63
August	..	2,237.92	1,490.78	747.14	735.72	11.42	-69.49
September	..	2,233.79	1,491.00	742.79	729.99	12.81	-4.13
October	..	2,280.84	1,497.11	783.73	769.17	14.56	+47.05
November	..	2,243.11*	1,498.73*	744.39*	731.27*	13.12	-37.73*
December	..	2,275.71*	1,526.79*	748.92*	732.41*	16.51	+32.60*

JUTE STATISTICS

JUTE CROP FORECASTS
(Government of India & East Pakistan)

	Prelim. Area (000) acres	Final Forecast		
		Area (000 acres)	Crop (000 bales)	Bales per acre
1954-55 Total	26.38	24.86	75.90	3.05
East Pakistan	13.04	12.43	46.62	3.75
West Bengal	5.84	5.70	15.42	2.71
Rest of India	7.50	6.73	13.86	2.08
1955-56 Total	30.59	33.74	97.89	2.90
East Pakistan	17.16	16.35	55.92	3.42
West Bengal*	6.36	8.74	21.39	2.45
Rest of India	7.07	8.65	20.58	2.38
1956-57 Total	..	31.38	98.02	3.12
East Pakistan	..	12.30	55.14	4.48
West Bengal*	6.82	7.41	15.19	2.05
Rest of India	9.52	12.67	27.69	2.48
1957-58 Total	..	..	..	..
East Pakistan	..	..	..	..
West Bengal*	5.80	7.78	18.85	2.42
Rest of India	8.93	9.76	24.03	2.46

PRODUCTION OF GUNNIES

('000 Tons)

Year and Month	Hessian	Sacking	Total
July-June			
1952-53	3,47.7	5,10.4	8,91.5
1953-54	3,90.4	4,44.8	8,65.7
1954-55	3,99.2	5,57.5	9,94.8
1955-56	4,03.0	6,22.9	10,95.0
1956-57	4,28.3	5,26.8	10,25.2
1957 April	36.2	44.8	86.8
May	35.6	45.0	87.3
June	32.3	42.3	80.1
July	35.6	45.0	85.9
August	33.9	43.1	81.9
September	33.7	47.3	86.0
October	31.7	47.1	83.5
November	33.4	53.2	91.9
December	32.1	54.7	92.8

SUPPLY AND DISTRIBUTION OF JUTE
1956-57 & 1957-58

Supply	1956-57 lakh bales	1957-58 lakh bales
OPENING STOCKS—		
I. J. M. A. Mills godown stocks		
a. West Bengal Mills	9.91	21.68
b. Mills outside West Bengal (estimate)	0.38	0.43
Indian Carry Forward (estimate)	4.30	3.90
Pakistan Carry Forward (estimate)	3.00	5.50
	17.59	22.51
Indian Union Jute crop (trade estimate)	57.60	58.30
Pakistan crop (Trade estimate)	65.00	68.80
Total Supply	140.19	149.61
DISTRIBUTION :-		
Mill Consumption :-		
1. I. J. M. A. Mills (estimate)	60.72	60.00
2. Outside Mills (estimate)	2.38	2.20
	63.10	62.20
Indian Domestic Consumption (estimate)	2.10	2.00
Pakistan Exports Overseas (estimate)	40.93**	41.00
Pakistan Domestic Consumption (estimate)	11.40	13.00
Total Distribution	117.53	118.20
Carry over at end of season	22.66	31.41

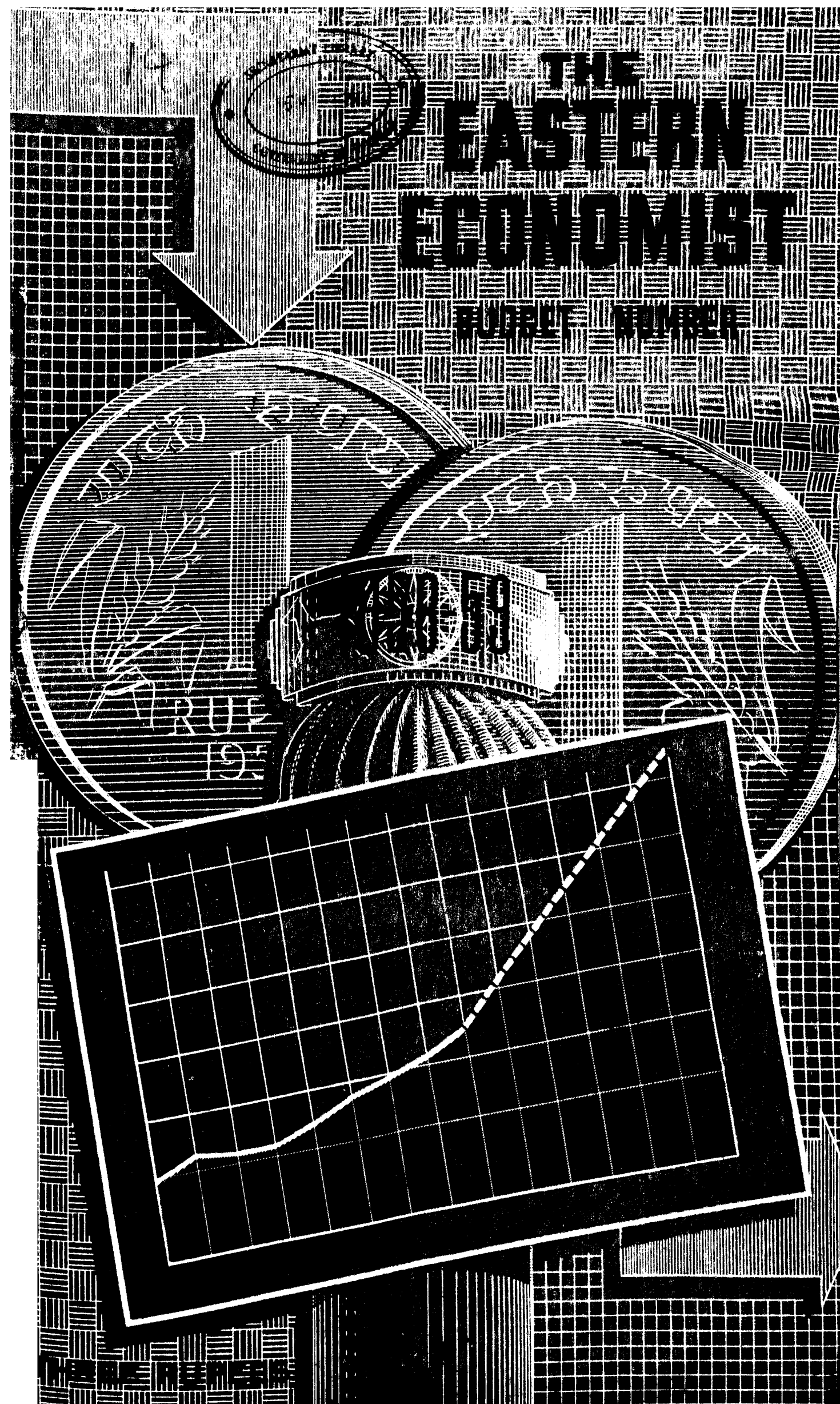
*Including Cooch Behar & Tripura. **Actual. \$Revised.

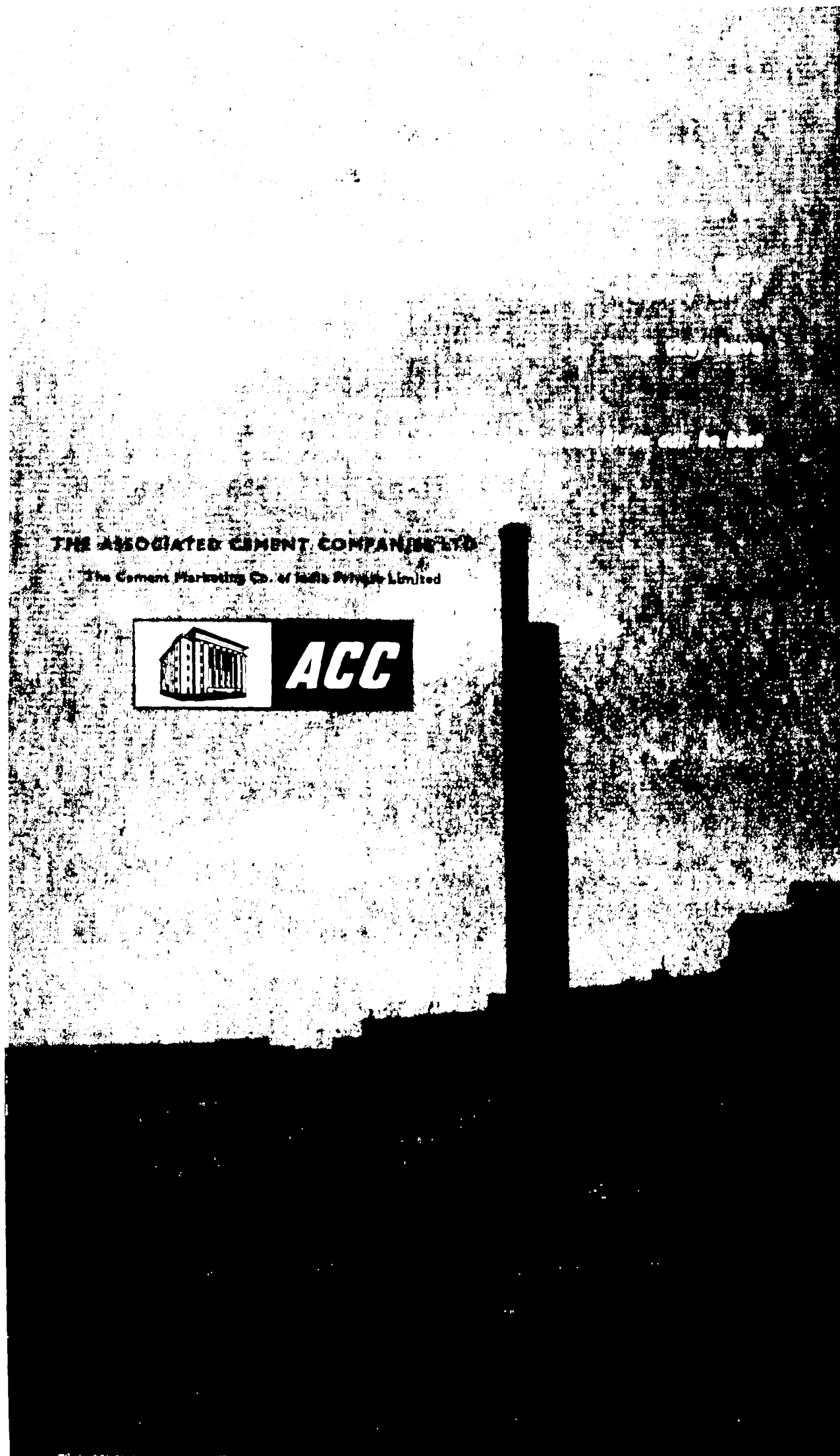
LATEST CROP ESTIMATES

Crop	Estimate	Area		Yield		
		Acres ('000)	Increase + or decrease — over the corresponding estimate of the previous year (per cent)	Tons ('000)	Increase + or decrease — over the corresponding estimate of the previous year (per cent)	
Food grains:						
Rice	Final	1956-57	78,174	+1.7	28,142	+4.3
Wheat	Final	1956-57	32,891	+8.2	9,068	+5.8
Jowar	Final	1956-57	41,314	-3.7	7,427	+12.0
Rajra	Final	1956-57	27,542	-1.7	2,926	+13.4
Maize	Final	1956-57	9,244	+1.4	3,020	+18.2
Ragi	Final	1956-57	5,674	-0.3	1,914	+5.3
Gram	Final	1956-57	23,990	-0.7	5,930	+11.2
Tur	Final	1956-57	5,696	+1.0	2,047	+11.9
Oilseeds						
i. Edible—						
Sesamum	First	1957-58	3,669	-4.8	—	—
Groundnut	First	1957-58	9,895	+9.4	—	—
Rape & Mustard	Final	1956-57	8,211	-1.7	1,017	+19.0
ii. Non-edible						
Linseed	Final	1956-57	3,758	-0.6	349	-15.7
Castorseed	Final	1956-57	1,405	-0.2	129	+4.0
Fibres:						
Cotton	First	1957-58	14,616	+0.4	—	—
Jute	First	1957-58	1,473	-9.9	—	—
Mesta	Final	1956-57	738	+29.0	1,474*	+27.2
Other Crops:						
Tobacco	Third	1956-57	1,007	+1.0	300	+4.5
Potato	Second	1956-57	691	+3.3	1,599	-9.0
Sugar cane	Final	1956-57	5,019	+10.0	66,896	+12.9

* Bales.

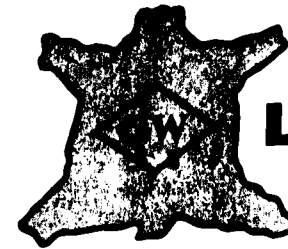
Source: Ministry of Food and Agriculture.

Printed and Published by Devi Prasad Sharma at the Hindustan Times Press,
for "The Eastern Economist" Ltd., 52, Jan Path, New Delhi. Editor:—E. P. W. da Costa, M.A. (Oxon.)

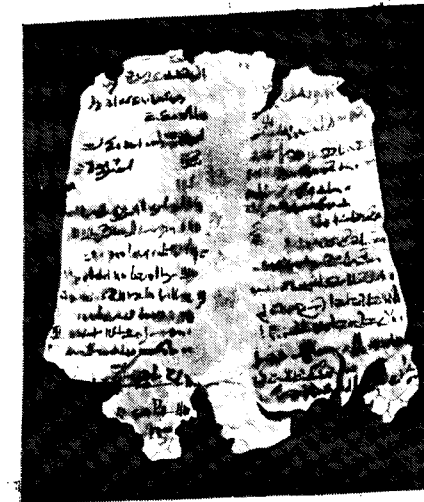


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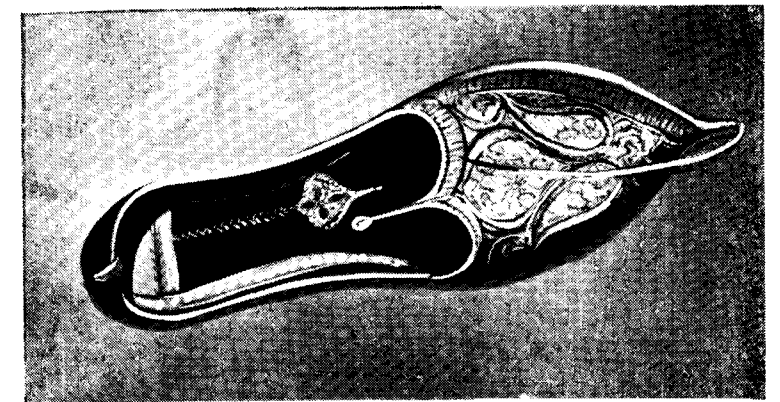
Exporters of
East India Tanned leathers.

*A fragment of writing
on leather which may possibly
date from around 1500 B. C.*

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LEATHER MANUFACTURING
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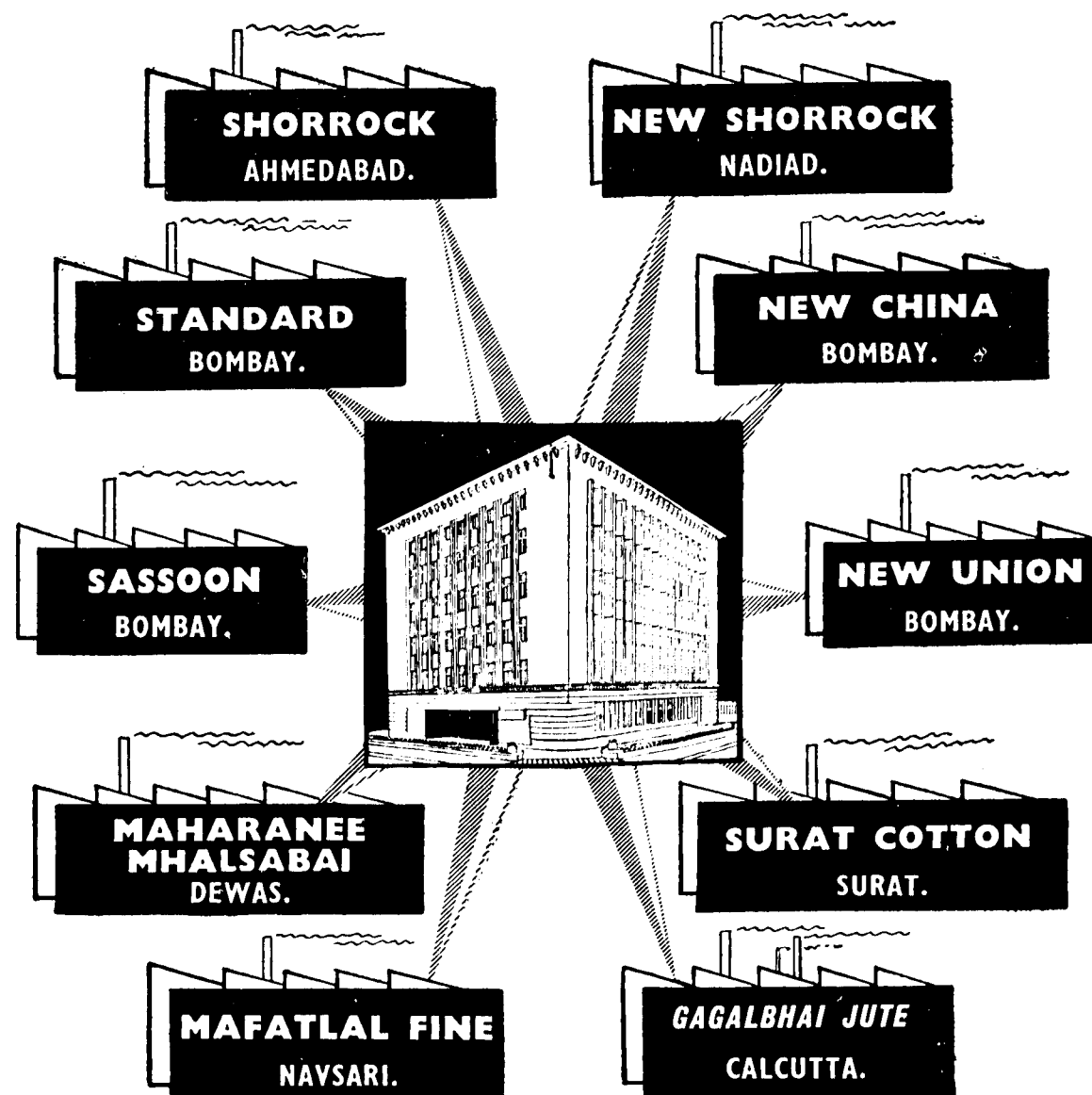
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and Textile Leathers.

*An Indian leather binding
showing Persian influence,
a fine example of art and leather
Early 18th century.*



**To-day Gordon Woodroffe Companies
are helping to develop India's Leather
Trade and Industry.**

MAFATLAL GROUP OF MILLS



CLOTH FOR THE NATION

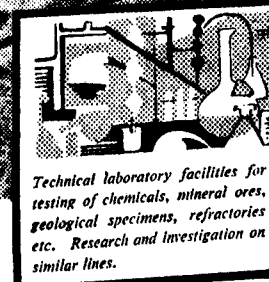
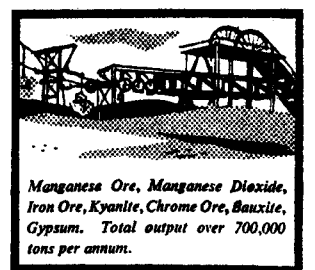
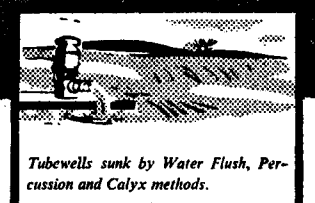
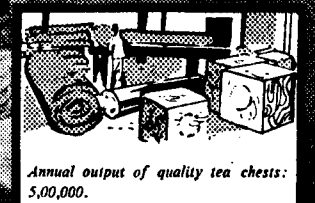
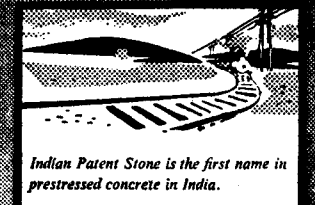
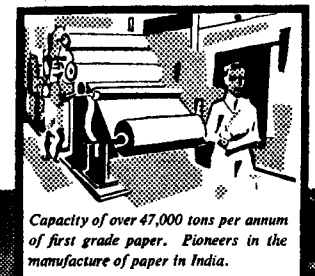
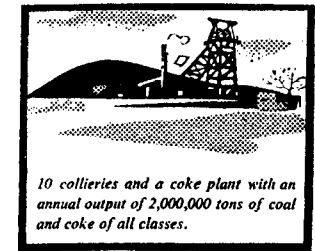
Mafatlal's other interests include
Cotton, Sugar and Dyestuffs.

MAFATLAL HOUSE, BACK BAY RECLAMATION, BOMBAY 1

AIYARS 1

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In this dynamic development, the House of BIRD and HEILGERS plays a significant part. Their collieries and mines provide power and raw materials for our industries. Their prestressed concrete and structurals, pumps and tubewells, tea chests, refractory bricks, etc. help to place the country on the road to self-sufficiency.

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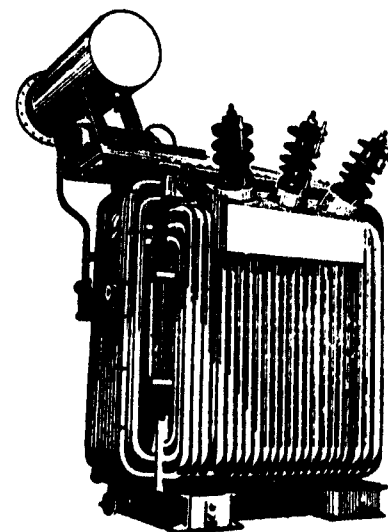
These young birds depend on their mother completely for their continued existence, and she is tireless in her task of satisfying their needs.

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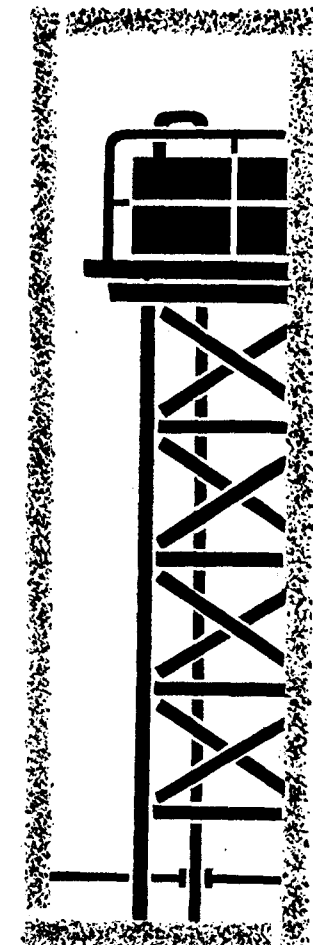
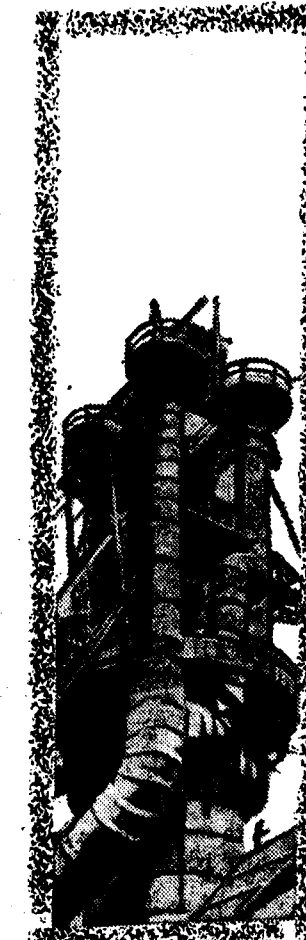
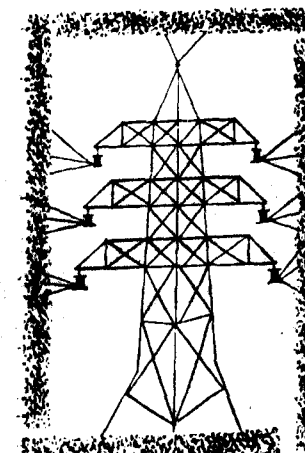
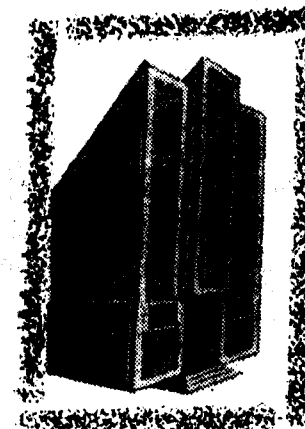
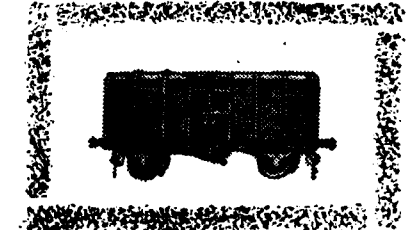
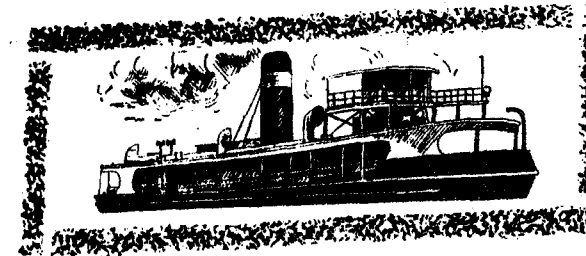
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1000 kVA 33/11 kV Power Transformer with Buchholz Relay and Dial type Thermometer.

C.P. 11

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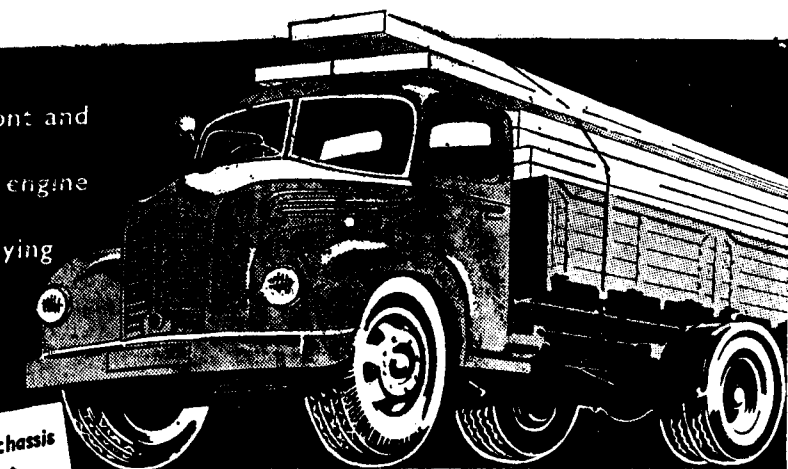
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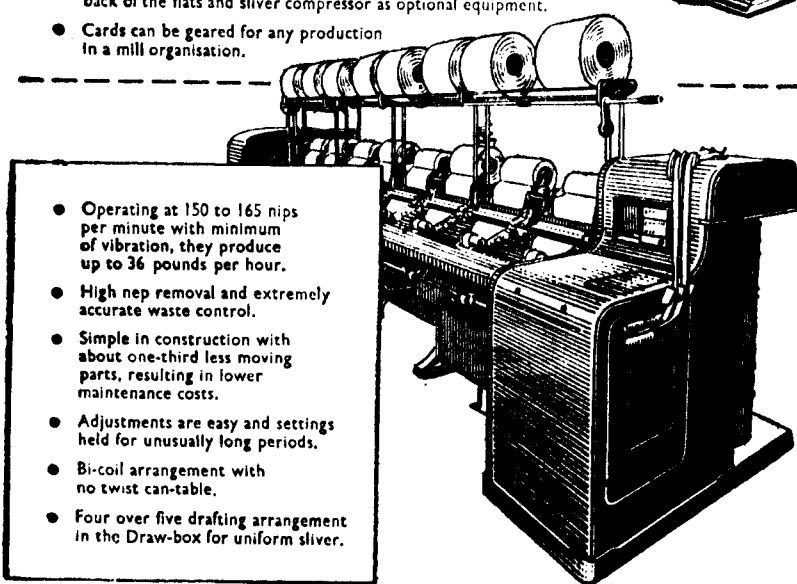
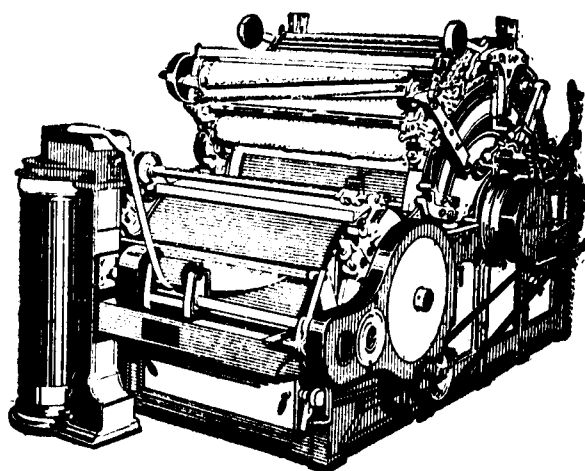
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The Dunlop factory at Sahaganj, the largest rubber manufacturing plant in Asia, has taken in hand active measures to expand output to meet the growing requirements of road transport.

A new Dunlop factory is being set up at Ambattur, near Madras, and will commence production in the near future.



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going to town



DC-497

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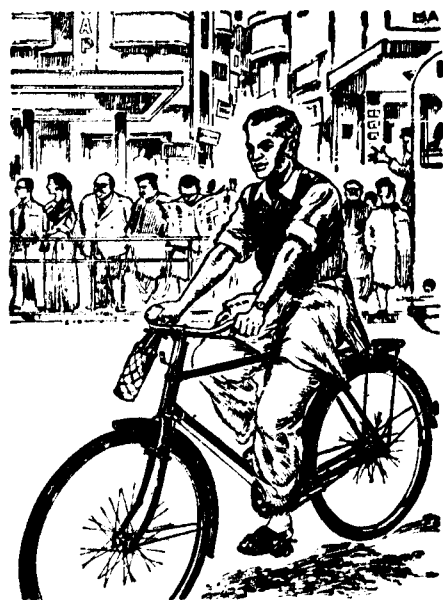
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Bharu, Ipoh, Kuala Lipis; **SINGAPORE,**

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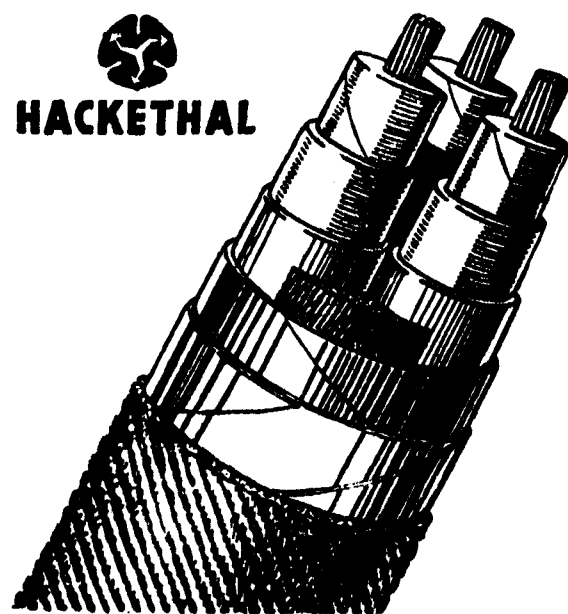
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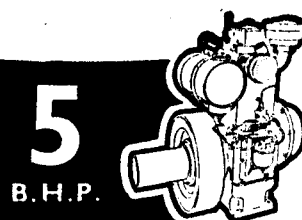


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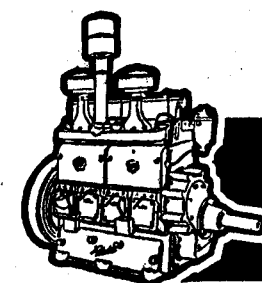
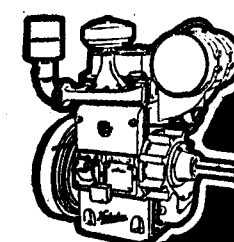
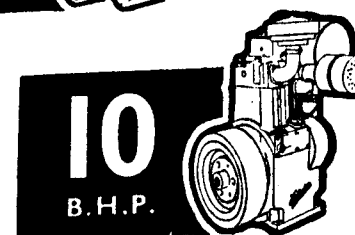
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THE ECONOMY AND THE PLAN

THE EASTERN ECONOMIST

SPECIAL BUDGET NUMBER

VOL. XXX. NO. 10.

NEW DELHI: MARCH 7, 1958.

THREE RUPEES

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The Perils of Inflexibility

THE voice was that of Jawaharlal Nehru, but the hand was T. T. Krishnamachari's. This might explain why the Budget for 1958-59 introduced on the 28th February, was so wooden in every way. It seemed more anxious to protect the taxation structure that T. T. K. had left behind, and even to extend it, than to solve the problems of 1958-59 which had been raised in part by the Plan, but were also the creation of Government policies over the last misguided year. It is as if the Government had learnt nothing and forsook nothing in ten months. Surprise has been expressed that the Government of India can possibly be so inflexible to the needs of the situation. The reason for this is, however, clear. It is that the Prime Minister is out of touch with the market-place; he has depended for his rendering of events, and even for the language of his speech except for two or three paragraphs, on the draft left behind by a Minister whose obstinacy was often the source of his strength, as it has proved to be of his extreme weakness. T. T. K. has left marks of his inflexibility everywhere in this Budget. It seems a great pity that the Prime Minister has allowed himself to be tarred so heavily with the same brush.

It is not a just criticism of a Budget that it disappoints either the people or particular groups who hope for relief or benefit. It is, however, a just criticism of a Budget that it ignores a major need or, if ostrich-like, it argues that there are no major needs which call for adjustments of policy or practice. At the present time, there is a major need to encourage private foreign investment. There is a major need to hold back excessive expenditure on frills and fancies, and to throw resources with a single mind into production. There is a major need to cut down both Defence and Civil administration expenditure to the ceilings of 1957-58, already inflated and burdensome. There is a major need to face the reasons for sales resistance which is preventing current production in certain industries from being absorbed. But from the Budget for 1958-59, one might have assumed that the country had no major needs or problems. The assumption has been unwisely made that mere determination and stonewalling, and no change or even gesture of a change in policy, will see us through.

Some minor corrections in T. T. K.'s Budget for 1957-58 would have done no harm to revenue or, indeed, even to ideology. Why then has the Prime Minister failed, for example, to make a token concession to the cotton textile industry whose problems in this year have grown to the point, when one major mill has gone into liquidation and many are driven into short working which can only further affect prices and revenue? Obviously because T. T. K. refused to admit that his major imposts — which were political in the sense that T. T. K. wished to injure certain Bombay interests — were not good for the economy as a whole. Why again has the compulsory deposit scheme of withdrawing the compulsory deposits not been granted? In the year 1957-58, the net receipts under the compulsory deposits scheme were a little over Rs. 3 crores, and, in the current year, it is expected the figure will be in the region of Rs. 7 crores. It surely cannot be argued that sums so small, against total development expenditure planned at Rs. 1,017 crores, can be decisive. Obviously *amour propre* has prevailed; the determination to be inflexible

has proved more powerful than a wish to pursue a rational economic policy.

By the same token, the new taxation proposals which involve in all a sum of Rs. 5.83 crores do nothing to alter the broad tenor of either revenue or expenditure. If there was to have been a deficit of Rs. 27.02 crores on revenue account, no one need argue that if the deficit had been three or five crores larger, the position would have been very different. And, if for ideological reasons, it was necessary to plug the loophole presented by gifts, it surely should have been possible to give concessions at least to the lower income groups with the Rs. 3 crores which it is hoped to obtain from the Gift Tax. The fact that concessions of this trivial order have been refused is again more a matter of false prestige than of reason. It seems that Mr. Krishnamachari was unable to show more grace in his draft Budget than he was able to show in the Chagla Inquiry. Unhappily, he has drawn the odour of irrational inflexibility not only to himself but on to the Prime Minister. The implications of this fact are drawn out in the two following articles, "The Prime Minister" and "The Classes versus the Masses". There are more than straight economic issues involved. The Prime Minister has followed bad counsel, and has injured himself and his Party.

It is a great mistake to suppose that the Government of India can afford indefinitely to flout economic facts and the structure of human behaviour in the market-place, merely because it has a strong majority in the Lok Sabha. It is almost certain now that this majority is a declining thing. Ten years from now perhaps the errors which the Prime Minister and T. T. K. have jointly made will involve, because of the callous disregard of middle-class feeling, a reverse of the Congress Party at the polls. The reason for this is not that the Indian people are against any of the fundamentals of the Socialistic Pattern of Society, or that they do not welcome the reduction of great inequalities which at present obtain. The Wealth Tax and, maybe even the Expenditure Tax, have a large degree of popular support. Why the Congress Party will fail to satisfy this nation will be because in its anxiety to meet popular sentiment, it is undermining the base of production, on which alone a rising standard of living of the Indian people can ultimately rest. In this process of putting obstacles in the way of private production, while the public sector is unready, it is also generating inflation, which is undermining middle class morale and support of the Congress Party in the towns.

It has sometimes been said that those who win the first few battles often lose a war. In the same sense, the political Budgets of the last two years which seem, because they have pandered to a leftist outlook, to be based on popular support will end by losing the war against poverty. For the war against poverty cannot be fought with slogans, however popular these slogans may be. They cannot, indeed, be fought by ideology alone, however logically consistent elements of these ideologies might appear. The battle against poverty can be fought by production and production only. In its economic component this must mean providing incentives. Politically, there will need to be understanding of the limits beyond which vital groups in the country cannot be driven, even, it may be, for a national purpose. The

severe pressure placed upon the middle classes is becoming unbearable. The attempt to placate the masses at the expense of the middle classes has now reached a critical point. It is not wise, in order to meet the needs of the rural masses, to plunder the middle-classes for, in the last analysis, the national welfare implies that no interest so powerful in leadership is driven to rebel.

There are, thus, both political and economic perils in the "pedestrian" Budget which the Prime Minister presented on the 23rd February. It is a great mistake to suppose, as this Budget complacently assumed, that production, whether in

agriculture or industry, comes forth as a matter of course. It is a great mistake to suppose that, even if production comes forth, its profitability will be such as to give the Government the revenues, on which this Budget is based. All in all, this Budget has solved no old problems, and has raised some new ones. Not the least of the problems it raises is the undermining of confidence in the Prime Minister. When he was not our Finance Minister, it was believed that he was not wholly responsible for the errors made. Today, assailed by shortage of talent in his Party, he has allowed himself to be lashed to his own mast. Therein lies peril for the country no less than for himself.

The Prime Minister

BECAUSE the Prime Minister has now attracted to himself the final responsibility for economic policy, it is right that he should, notwithstanding his outstanding personal position, be arrayed against the economic facts. Since the Avadi resolution of the Congress, purporting to bring about a new order of society, there have been many advocates, in the business community no less than elsewhere, who have argued that there was no ideological basis on which Indian economic policy was working. It was argued that the policy was always pragmatic, and that the private sector had adequate opportunities, that the advantages of development for the whole country were so important, that the Prime Minister's known views on Socialism were of small account. In the Budgets for 1957-58 and 1958-59 the evidence has been all the other way. In 1957-58 it is now certain that T. T. Krishnamachari, with his very inadequate political following, could not have proceeded on so reckless a course but for the Prime Minister's personal support. In the Budget for 1958-59, this has been underlined by the Prime Minister's making the Budget entirely his own.

It is right to argue that, since the Prime Minister recognises that production is central, there is no major difference on the need of production first. But the Prime Minister's actions on other matters show that he has a very inadequate knowledge of the elements which go into the making of production in practice. This is true both in the public and private sectors; particularly in the Prime Minister's appreciation of the place of Managers, whether in the public or in the private sector. Even before the Chagla Commission, the morale of the civil services had been studiously lowered. At the same time, the inducement to take risks in the private sector has been undermined by making taxation penal to the point when propertied persons with an income of Rs. 3 lakhs per year have to surrender to the Exchequer more than they earn. A Special Article in this issue shows that in this respect India is now the highest taxed country in the world. This is not an accident. It is the result of the Prime Minister's conscious policies. The effect of his Socialism is thus to strike severely at managers and at incentive even while production is stated to be his goal.

It cannot be that the Congress Party, which has retained an appreciation of the need for small business and small enterprise, even if it resents the profits of Big Business, will support a system of socialism in which incentives for production, both in the public and private sectors, are so heavily discounted. The opposition encountered by T. T. K. in getting through the Wealth and Expen-

diture taxes is proof positive that the Congress Party is not in perfect tune with the Prime Minister. Thus the Congress Party is being forced today to subscribe to the Prime Minister's ideology which does not truly reflect views in the Party, and does not secure the aim of production on which the Plan ostensibly rests.

One of the major errors in the Prime Minister's outlook is the point that whether or not the public sector succeeds in its allotted tasks, it must be expanded with the resources of the State. One might have thought that, after the Chagla report, there would be recognition that the public sector has not, in the short period, the managerial capacity to drive through the tremendous tasks which have been assigned to it in the Plan. It may be remembered that in the first Five-Year Plan, the public sector was almost everywhere behind schedule and the private sector well above it. It was over-fulfilment by the private sector which made fulfilment of the Plan in national income terms possible. By way of standing this fact on its head, under the Prime Minister's directions, the public sector was given in the second Five-Year Plan a wholly unreasonable load in two or three industries, notably Coal and Fertilizers. The results speak for themselves. Against a target of about 15 million tons of coal, the public sector has now achieved barely 4 million tons. There is no chance whatsoever of its carrying through its scheduled responsibility. But the investment allocation continues to be made as though the original investment can be effectively undertaken. Similarly in Fertilizers there was an obstinate refusal for some time to allow the private sector to operate, and the chances are that none of the new fertilizer plants will deliver by 1960-61. If production was, as the Prime Minister sometimes asserts, the prime means of fulfilment of the Plan, surely, the loads should be allotted according to proved capacity, or at least according to capacity which could be proved. The present course is to expand the public sector whether or not it is fit for the job. This is not planning; it is bigotry.

How long will the country and the Congress Party assume that agencies chosen by the Prime Minister are the best suited for the task? Certainly for two, three, four or five years. Supposing, however, it should happen, as it must, that the public sector ends well behind schedule in 1960-61 and the private sector ahead of it, will not the Prime Minister's error of judgment be rudely exposed for a second time? Precisely because the Prime Minister occupies so central a place in the country's national life, no Indian

patriot can wish him to be discredited in this manner. The risks are great; firstly, because failure in production involves inflation on the margins at which we are present working; secondly, because if the Prime Minister is discredited in 1961, there will be no rallying point for the Congress Party, and it may have an unstable majority with which to meet the greater challenge of the third Five-Year Plan.

The Prime Minister bears a heavy burden. He makes it heavier by assuming responsibilities

The Classes versus the Masses?

THE major issue of socio-political policy raised by recent Indian Budgets is whether the Government of India's philosophy tends not to raise all groups together but is deliberately designed to raise the masses at the expense of the middle classes. Since the Budget is stationary on personal taxation, except for the Gift Tax, one might be disposed to argue that it is neutral to what has sometimes been called "the battle of the classes". This, in fact, is not the case because in present circumstances deficit financing of the order of Rs. 200 crores is likely to be inflationary, and the additional inflationary impact in Indian conditions is taken in the main by the middle classes whilst benefiting agriculturists. The Budget is neutral on prices only in the unlikely contingency of the holding of agricultural prices throughout the year. It is fairly clear that the prices cannot be neutral with a level of development expenditure of over Rs. 1,000 crores, the highest figure hitherto entertained.

In any case, the position of the Middle Classes, as it stood before this Budget, was bad enough. It was indicated in an article entitled "The Fate of the Middle Classes" in the Blue Supplement of *The Eastern Economist's* issue of May 24, 1957 that, over the last twenty years, there has been a marked deterioration in the position of the middle classes. Much the greater portion of this deterioration has taken place through a rise in prices, but it was pointed out that taxation in the last two years has played its own damaging role. Thus, in the last two years a man with a monthly income of Rs. 400 after tax had an income of pre-war value of only Rs. 93.05, and a come of pre-war value of only Rs. 222. Put otherwise, there was a fall in real income in the last two years of 18.6 per cent at the Rs. 400 level and 18.7 per cent at the Rs. 1000 level. Broadly, one might say that all income groups in the lower middle class have had a fall in the last two years of between 18 to 20 per cent. It was then argued that this is the reason that the middle classes can take no further burden.

This is, by no means, to efface or even to undermine the incontestable point that the standard of living amongst the middle classes is still higher than that of the masses and that, on the theory of the equalisation of incomes deeply embedded in socialist philosophy, it is logical that the middle classes should bear a higher burden than the masses. The issue is not whether this process of equalisation is feasible or even practicable; over a long period of time, it is both equitable and possible. It is whether one can proceed on this course irrespective of the political capacity of the class concerned to take the burden in a very short time. *The Eastern Economist's* contention has been that the raising of the standard of living of the masses should be undertaken over a long period

which do not "belong." And thus he invites criticism, which the country does not wish to direct at him personally. *The Eastern Economist* believes that the time has come when opposition, often gently spoken but not freely expressed, of the Prime Minister's administration of India's economic affairs should be open and unafraid. It is in this spirit, with no want of respect or admiration for the Prime Minister's person, that it is indicated that the leadership that he is now providing to the country in economic affairs is in need of revision.

by a policy of development, which is a true equaliser, and while the middle classes should be called upon to bear increasing burdens in percentage terms, they cannot be rushed beyond their capacity into a state of fear or rebellious acceptance. Whatever the general principles of economic theory on equality of sacrifice, wise political practice has always been to respect the law of the Inevitability of Gradualness.

This argument acquires particular force by the contrast presented between the People's Republic of China and Democratic India in the last nine years. The momentous investment being thrown into development by the People's Republic of China has been drawn unashamedly from the rural masses, recognising that it is in the long run the lowest income groups that will benefit from development. There is rough logic, thus, in Mao Tse-tung's determination to depend heavily on agricultural taxation and compulsory levies at "hard" prices still in force over an area of a sixth of total production. India's determination to give agriculturists perpetual relief—on the ground that they are the 'masses'—is not Marxist in a Chinese sense, but it is Marxist in a nineteenth century sense; the bourgeois—actual and potential—are being burdened beyond endurance to make the rise of the proletariat and the agricultural masses an instrument in the class struggle or its rectification.

It is a great mistake for an Indian non-Marxist Socialist Government to practise the doctrine of penal taxation on the relatively few in order to ameliorate the condition of the masses. It is too early to destroy the private domestic investor. It is far too early to frighten away the foreign private investor. It is unwise at all times to strike too severely at managerial incentives. In part this mistake is traditional since Indian agricultural taxation, heavy by our own standards, is remarkably light by Chinese or other Asian standards and has been made lighter by the rise in agricultural prices. For those who have land to cultivate and produce to sell this is, indeed, true, but agricultural labourers who are landless have had no benefit from higher real wages or higher prices. On the other hand, the burden, both by price rises and by taxation, has been steeply built on something less than a million income-tax payers, who are now called upon in the top-most brackets to bear the Wealth Tax, the Expenditure Tax and the Estate Duty and at the lower brackets to bear the ravages of inflation. At both ends critical limits are being reached. The mind of assesses is not prepared in the short period for additional burdens. It is time to recognise that pragmatically the current tendency should be reversed or at least arrested, whatever theoretical attractions there are in raising the masses on middle class toil or in the theoretical economic

INDIAN UNION

The Yield of the Principal Taxes

SEA CUSTOMS (EXPORTS), CORPORATION TAX AND TAXES ON INCOME

OTHER THAN CORPORATION TAX

(All figures in lakhs of rupees)

SEA CUSTOMS—EXPORTS	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59
	Accts.	Accts.	Accts.	Accts.	Accts.	Revised	Budget
1. Jute—							
Raw)	29,50	15,62	7,66	3,98	3	—	—
Manufactured)							
2. Raw cotton	10,00	5,27	2,61	5,52	1,61	1,30	1,30
3. Cotton waste	—	—	3,07	2,20	1,84	1,60	1,50
4. Cotton cloth and yarn	5,97	2,93	1,20	88	10	—	—
5. Manganese	3,18	3,57	81	10	1,89	4,00	4,00
6. Tea	10,62	11,62	19,74	17,83	20,47	17,00	18,00
7. Blackpepper	3,48	2,84	1,36	23	—	—	—
8. Other agricultural produce	43	41	47	50	42	40	40
9. Iron and steel	28	19	5	1	—	—	—
10. Mica	23	20	17	21	22	24	24
11. Oil and oil seeds	2,13	73	2,76	3,33	1,51	90	70
12. Oil cakes	—	—	—	2,44	38	5	4
13. Raw wool	—	2	—	—	—	—	—
14. Mercury	4	6	—	—	—	—	—
15. Coffee	—	34	1,27	10	5	3	3
16. Rice	—	—	11	5	—	—	—
17. Coir	—	—	1	5	6	5	5
18. All other articles	—	—	8	33	9	78	78
TOTAL EXPORTS	55,97	38,53	41,37	37,76	28,67	25,64	26,33
Land customs	2,72	1,89	1,99	1,38	2,68	4,00	3,50
Air customs	56	73	1,43	1,99	3,47	2,20	2,40
Miscellaneous	1,31	93	1,34	85	1,16	1,40	1,20
TOTAL GROSS REVENUE	1,78,63	1,61,68	1,87,19	1,69,96	1,76,50	1,87,00	1,74,00
Deduct—Refunds	4,88	2,97	—2,33	—3,26	—3,27	—4,00	—4,00
NET REVENUE	1,73,75	1,58,71	1,84,86	1,66,70	1,73,23	1,83,00	1,70,00
CORPORATION TAX							
1. Ordinary collections	43,18	40,35	37,33	36,33	50,93	50,05	55,00
2. Surcharge	2	—	—4	3	3	—	—
3. Excess profits tax	—45	55	—21	73	19	30	35
4. Business profits tax	1,05	65	25	—5	3	15	15
TOTAL	43,80	41,55	37,33	37,04	51,18	50,50	55,50
TAXES ON INCOME OTHER THAN CORPORATION TAX							
1. Ordinary collections	1,34,63	1,16,61	1,16,03	1,25,36	1,45,52	1,45,40	1,50,85
2. Surcharge	6,09	4,94	5,02	4,98	5,49	10,00†	10,25†
3. Excess profits tax	48	86	90	80	55	40	30
4. Business profits tax	23	43	31	22	18	10	10
TOTAL	1,41,43	1,22,84	1,22,26	1,31,36	1,51,74	1,55,90	1,61,50

† Surcharge (Special) also included.
 ‡ Represents cess on lac.

(Please turn to page 528)

276

Crores

a
new
record
in
life
insurance

The Life Insurance Corporation has recorded a spectacular achievement. In 1957, Rs. 276 crores of Life Insurance was sold in India, comfortably exceeding the target of Rs. 250 crores.

This is an outstanding improvement on the comparable figure of Rs. 238 crores in 1955, said to be the peak year for Life Insurance under private management.

The Corporation's signal performance reflects the popularity of Life Insurance as an instrument for social and personal security. Indeed, over 8,00,000 new policies now stand as eloquent testimonials to this conviction.

Life Insurance Corporation of India

Central Office: "Jeevan Kendra" Jamshedji Tata Road Bombay 1

ASP/LIC-2r



up by private parties, this raises no problem of current market psychology. Similarly small savings, and the twelve years National Plan Saving Certificates targets may be presumed in the first instance to be outside the range of the capital market although there is no indication on recent experience that they will be fulfilled. The question which is vital is the figure for new loans which have been assumed at an all time peak of Rs. 429.76 crores against revised estimates for 1957-58 of Rs. 214.24 crores, even after taking full credit for high foreign loans. Here the deepest scepticism can be entertained. This is not, indeed, because the Capital Market, or the Share Market for that matter, has been injured by this Budget. Curiously, the reaction of the market on second thoughts of the Budget has been markedly bullish, and at the time of writing Tata Iron and Steels have recorded a peak in recent months of Rs. 176 and are still going strong. It is a great mistake, therefore, to suppose that it is a market psychology which stands in the way.

What stands in the way is the shortage of investible resources, not the will to invest. A question which is important is the extent to which institutional investment can permit of fulfilment of the vast target for loans which has been entertained, for it is obvious that personal savings cannot measure up to anything but a very trivial fraction of the Budget. Here the issue can be squarely set in regard to the capacity of the Banks and the Life Insurance Corporation of India. A figure of Rs. 30 crores from the Life Insurance Corporation of India might be possible, but it seems impossible that the Banks will be able to contribute more than Rs. 60

crores in the year. Borrowing in "New Market" loans of Rs. 145 crores is excessive.

The fulfilment of the Capital Budget thus depends not upon the psychology of the market which might be assumed to be favourable, but upon the capacity of the banks to raise their deposits at something considerably more than their performance last year. If deficit financing were less, it is safe to say that the capacity of the banks would be reduced greatly, for there is a clear connection between the Treasury Bills and Deposits.

The table below shows the relation between deposits, currency and treasury bills in the calendar year 1957. It will be seen that deposits of all scheduled banks rose by Rs. 246 crores of rupees while treasury bills rose by 351 crores. In other words, one might assume that there is a tendency for deposits at present to rise at about two-thirds the rate at which treasury bills rise. If this should obtain within the year deposits might rise by about 130 crores with Treasury Bills rising by Rs. 205 crores. Even assuming that as much as half of this were available for investment, the limit would be Rs. 65 crores. It is thus safe to say that the Capital Budget is over optimistic and the net effect will be, if expenditure targets are maintained, at the scheduled level to decree inflation. The overall deficit has been reduced on paper to convey the misleading impression that more "orthodox" finance is being considered. In point of fact both the level of expenditure and the inflated "receipts" of the Capital Budget are beyond the country's capacity at this time.

TABLE I
DEPOSITS, CURRENCY AND TREASURY BILLS: 1957
(Rupees Crores)

Last Friday	Deposits of all Scheduled Banks	Currency	Treasury Bills Outstanding*	% Ratio of (1) to (3)	% Ratio of (3) to (2)
	(1)	(2)	(3)		
January	1,123.26	1,485.52	707.25	75.82	47.61
February	1,151.94	1,506.25	738.57	76.48	49.03
March	1,175.30	1,526.09	835.70	77.01	54.76
April	1,220.52	1,561.91	851.86	78.14	54.54
May	1,238.71	1,570.00	914.72	78.90	58.27
June	1,262.31	1,542.17	941.75	81.85	61.07
July	1,288.08	1,489.83	973.25	85.94	64.93
August	1,288.04	1,470.63	912.42	87.58	62.04
September	1,310.65	1,471.11	943.73	89.09	64.15
October	1,365.40	1,486.20	1,001.27	91.87	67.37
November	1,365.19	1,478.66	1,058.26	92.33	71.57
December	1,369.04	1,506.79	1,058.26	90.86	69.61

* At end of period.

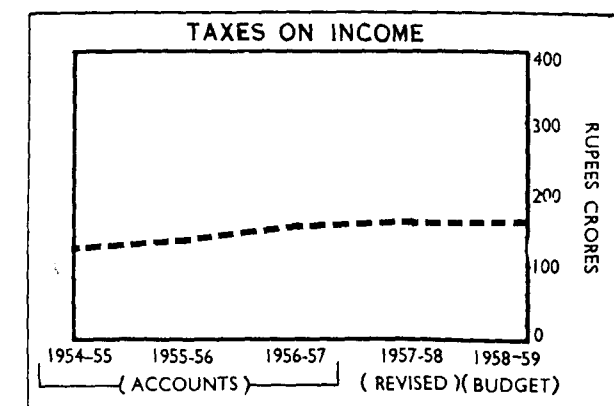
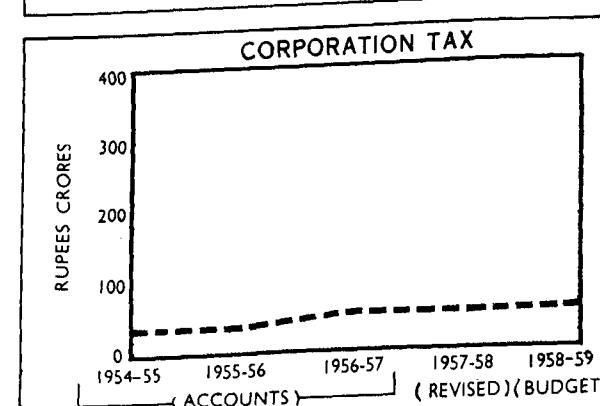
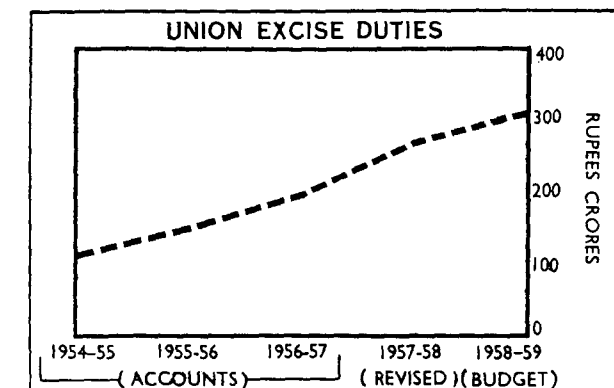
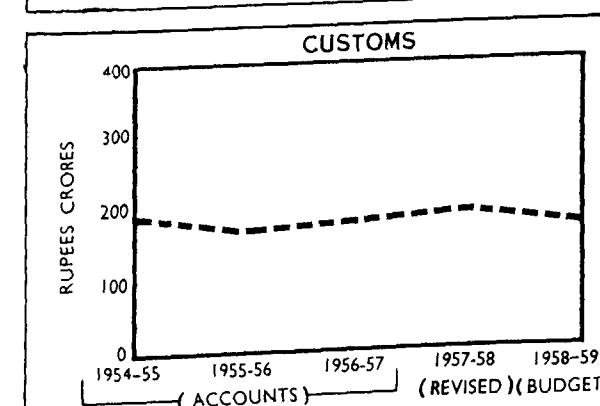
The Burden of Penal Taxation

HIGH personal taxation in the Indian Union is recognised as being injurious to the rate of domestic capital formation but, in the present context with a shortage of foreign exchange it is even more important to think of comparative taxation in terms of foreign investment. The Budget for 1958-59 does little to alter

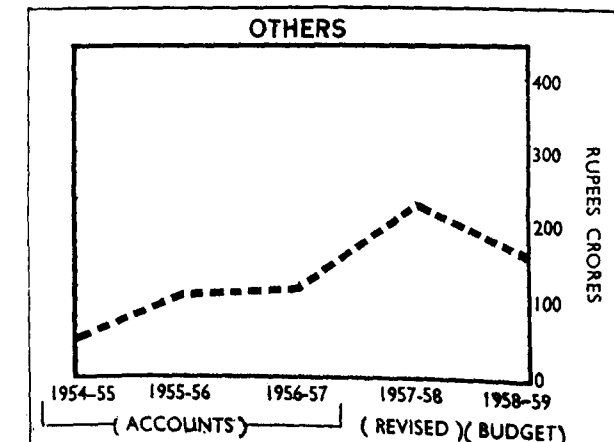
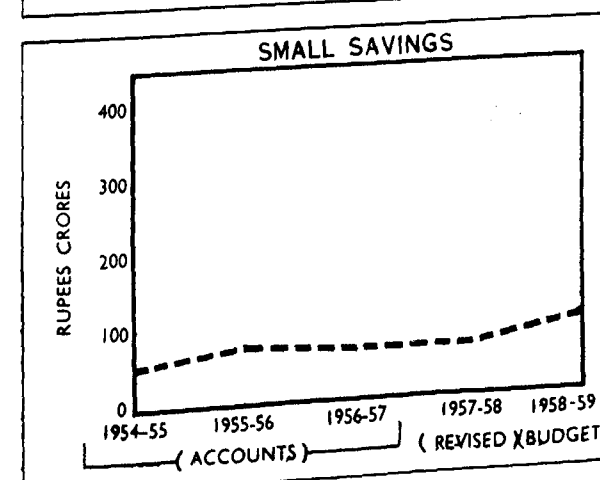
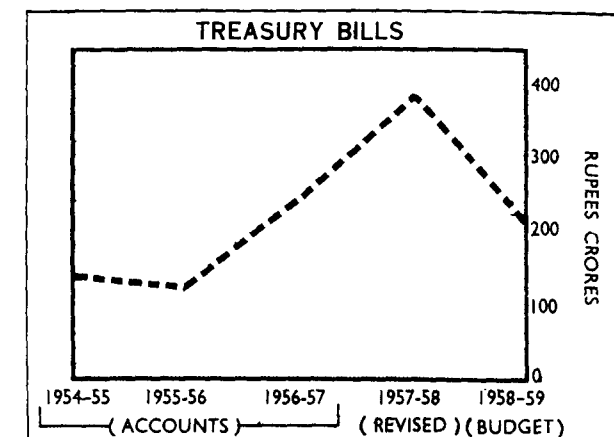
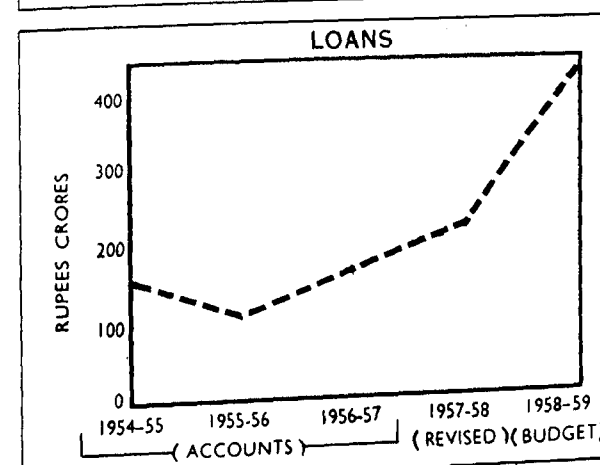
the current position. Therein lies weakness because the current position is almost an intolerable one so far comparative rates of national taxation are concerned.

If the wealth of a person drawing an unearned income of Rs. 25,000 per year is assumed at Rs. 5 lakhs

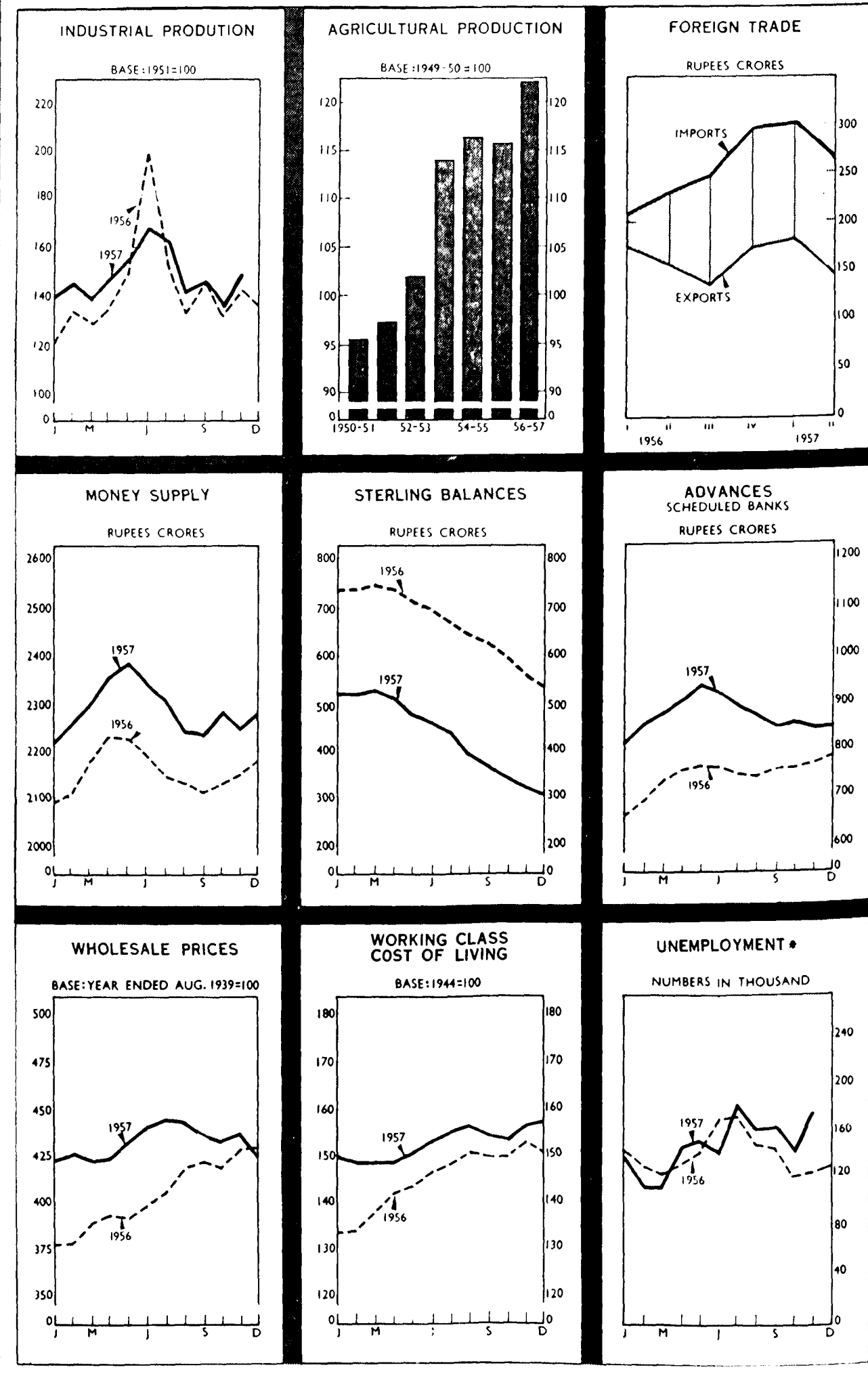
SOURCES OF REVENUE



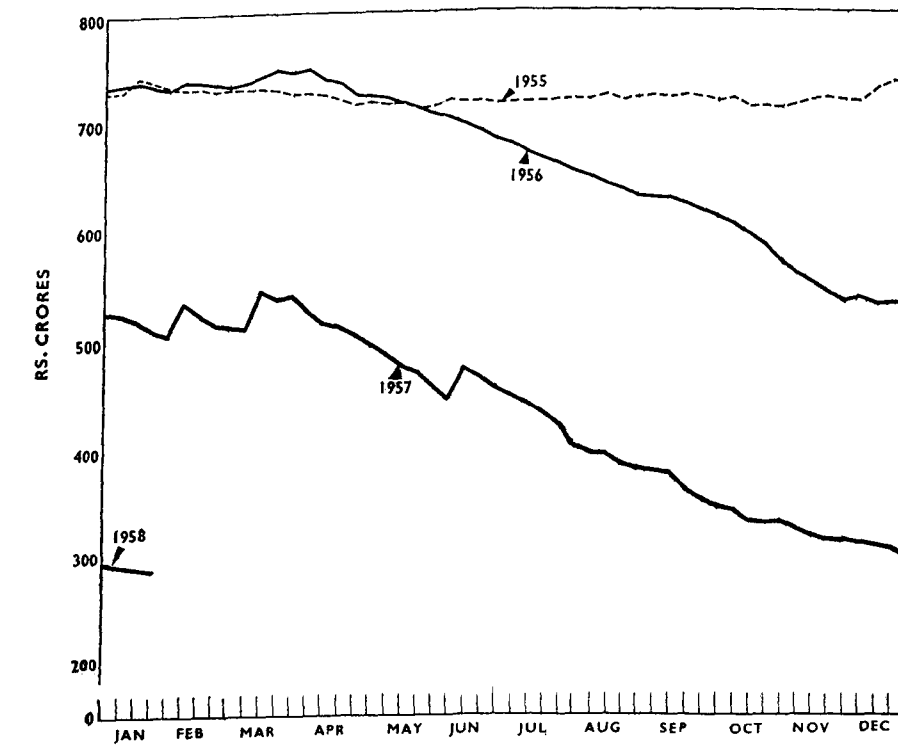
RECEIPTS OF THE CAPITAL BUDGET



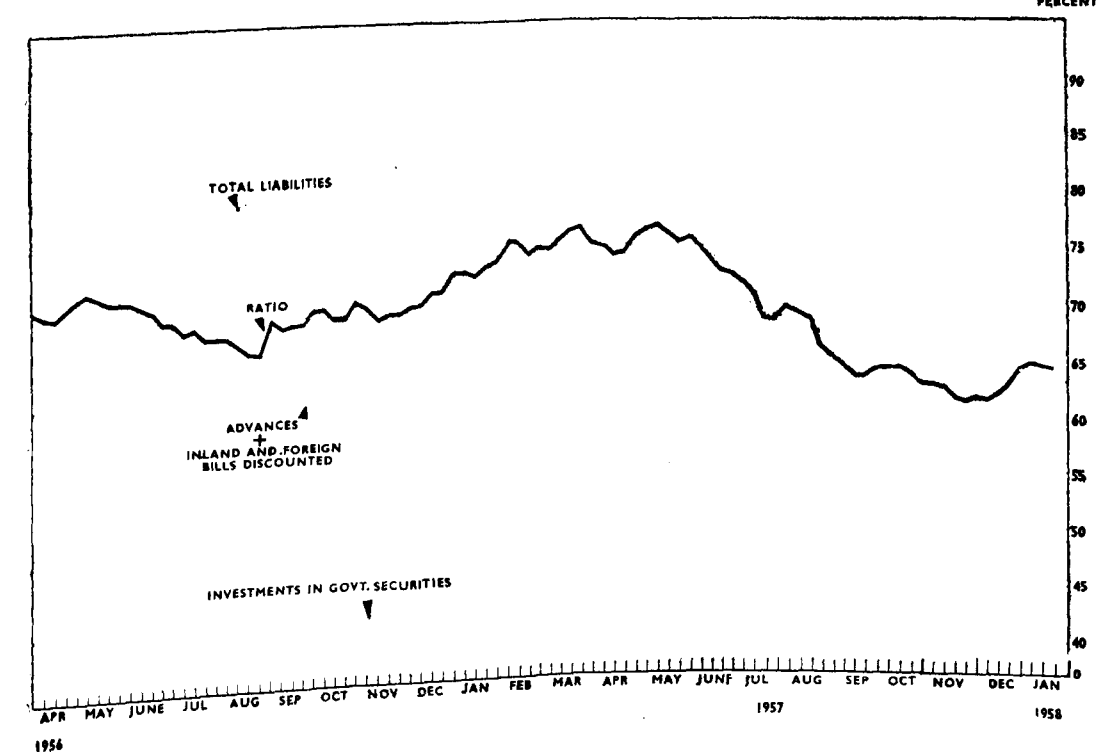
ECONOMIC INDICATORS



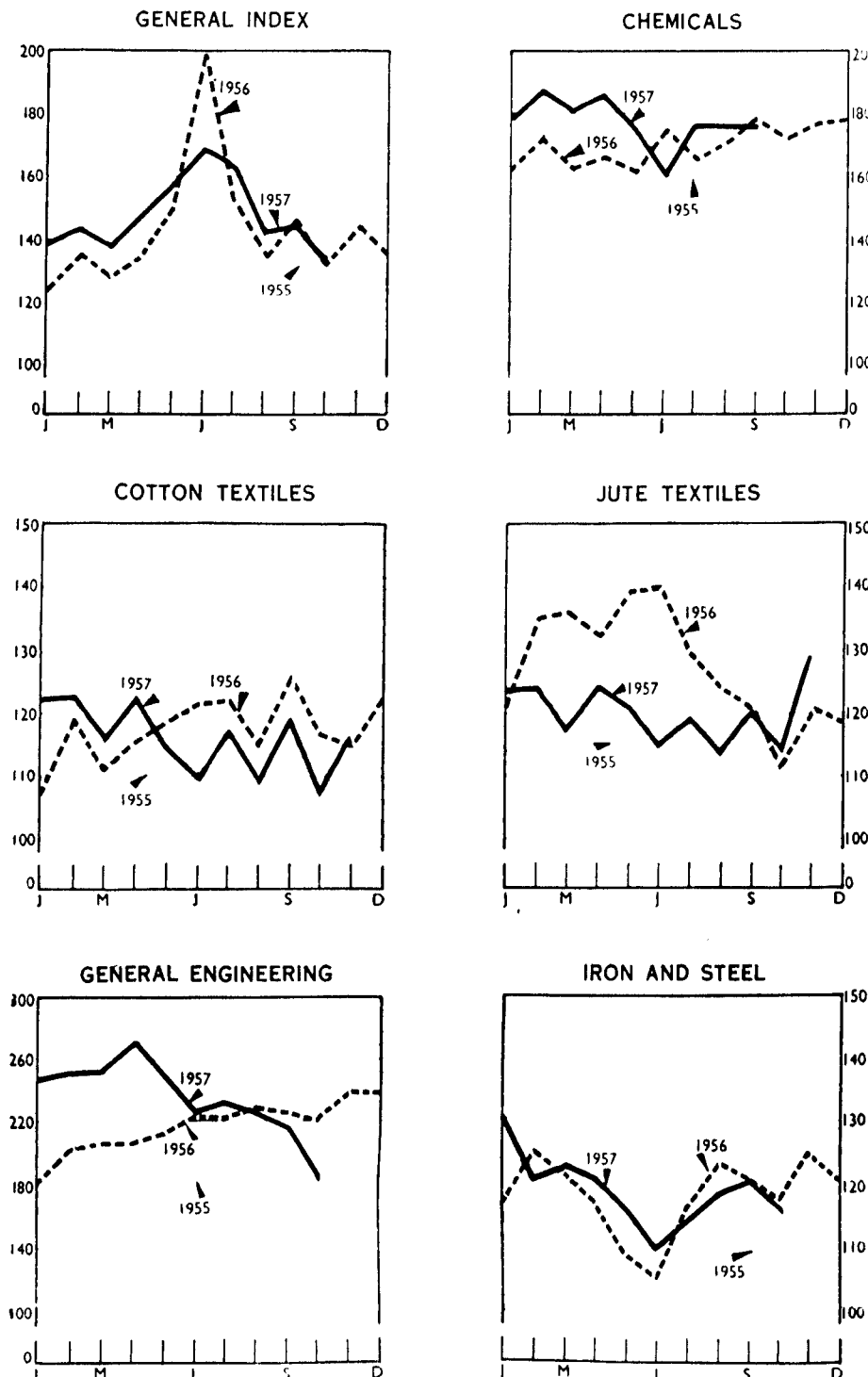
INDIA'S STERLING BALANCES



RATIO OF ADVANCES TO LIABILITIES



INDEX OF INDUSTRIAL PRODUCTION BASE: 1951=100



and so on all the way through, so that unearned income is computed at a rate of 5 per cent of net wealth; at about the 3 lakh mark, tax payments of income-tax, super-tax and wealth-tax exceed current income. A table of rates, as thus computed, is reproduced below.

Net wealth of an individual (Rs. lakhs)	Income-tax & Super tax on unearned income	Wealth Tax	Total Tax as percentage of income
---	---	------------	-----------------------------------

5	25,000	4,224	1,500	5,724	22.9
15	75,000	37,824	8,000	45,824	61.1
40	2,00,000	1,48,471	42,000	1,90,471	95.2
60	3,00,000	2,26,824	72,000	2,98,824	99.6
70	3,50,000	2,68,824	87,000	3,55,824	101.7
80	4,00,000	3,10,824	1,02,000	4,12,824	103.2
100	5,00,000	3,94,824	1,32,000	5,26,824	105.4
200	10,00,000	8,40,000	2,82,000	11,22,000	112.2

The position on corporate taxation is also not satisfactory, in that at a figure of income of 5 lakhs and above Indian rates inclusive of wealth tax corporations in India will pay a higher rate than they do

in the four other countries considered. This situation is not, of course, one which can be read alone. There are factors in India such as the vast national market, potential if not now available, which will induce a few companies to come in the market notwithstanding our higher taxation rates. But it is unthinkable that current personal and corporate taxation rates should not act as a deterrent on foreign capital which has attractions elsewhere.

It is to be noted in Table below that if the Wealth Tax is excluded from companies India's rate except at the 10 lakh level, is lower than USA and UK though higher than France and Japan. It is the wealth tax on companies which makes India in the higher ranges the most highly taxed country in this group.

There are obvious arguments for the abolition of the wealth tax on companies. It is essential that it should be recognised that at current rates of taxation, India cannot be deemed to be a favourable country for investment; if it is, it is for other factors. The existence of these factors has not yet been proved to be large enough to offset the deterrent effect of penal corporate and personal taxation.

PERCENTAGE OF INCOME PAID BY CORPORATIONS AS TAX IN SELECTED COUNTRIES (Income in Rs.)

Country	25,000	50,000	1,00,000	2,00,000	5,00,000	10,00,000
India (1957-58)	37.2 (43.4)	84.4a (43.4)	50.9a (43.4)	52.2a (43.4)	52.9a (43.4)	61.3a (51.5)
U.S.A. (1956-57)	25.0	25.0	25.0	25.0	25.0	25.0
U.K. (1956-57)*	51.6	51.6	51.6	51.6	51.6	51.6
France (1953-54)	34.0	34.0	34.0	34.0	34.0	41.8b
Japan (1956)	42.0	42.0	42.0	42.0	42.0	42.0
1957	37.4	38.7	39.3	39.7	39.9	39.9

a Including wealth tax.

b The figure relates to the latest available year (1956-57).

* In this case the burden of taxation is calculated as follows:

1. The income-tax at 42.5 per cent is at the standard rate of 8s. 6d. in the £.

2. Half of the income remaining after paying income-tax, assumed to be distributed, is taxed at 30 per cent.

3. One-fourth of the income, remaining after paying income-tax, assumed to be kept as reserves, is taxed at the rate of 3 per cent.

† An extra 12 per cent above 42 per cent is charged by State Governments as "Enterprise" tax.

The Wealth-Tax in Operation

WHATEVER evaluation can be made of the operation of the wealth-tax in its first year as regards its fiscal and other effects will fail to fortify the confidence of its ardent enthusiasts. In the fiscal sphere, even making allowance for initial difficulties of estimating the yield, the margin of error as provisionally envisaged is large. It is conventional, and also advisable on precautionary grounds, to underestimate revenue. This rule of prudence was not respected in the case of the wealth-tax. The budget estimate has been as optimistic as the sponsors of this tax were enthusiastic in putting it on the statute book. The original estimate was of the order of Rs. 12.5 crores from which there is now a substantial drop to Rs. 9 crores in the revised estimate. The margin of miscalculation which is as wide as 28 per cent may prove to be still wider in the final accounts. The budget estimate for the next year reverts to the pet figure of Rs. 12.5 crores. On what basis, it is far from clear. The Finance Minister laid stress on the potential of the wealth-tax to prevent evasion. In his budget speech of May 15 last, he took credit for Rs. 5 crores for suppression of tax evasion through the imposition of the wealth-tax and other measures including a lower limit on the maximum rates of income-tax. How much share of

these Rs. 5 crores was attributed to the wealth-tax is again not clear. It would be interesting to be enlightened on the performance of this new tax on this count.

The consistent volume of criticism — Indian as well as foreign — of the wealth-tax has continued to pour even after its imposition. This in itself was sound reason for a re-examination of the scheme of the tax at this stage. It was anticipated on reasonable ground that some at least of the injurious provisions of the Wealth-Tax Act would be deleted or modified. The hopes have been falsified by this year's Finance Bill. Its only saving grace is a concession extended to foreign nationals. Their foreign assets and debts are not to be included in the computation of their net annual wealth. In fact this is not a concession but rectification of an inadvertent error. The explanation offered for the amendment is that it was not the intention in framing the relevant Section 6 to include foreign wealth. The intention is being fully implemented by being given retrospective effect from the date of operation of the Act. If this background of the sole important amendment to the Act is taken into account, the depressing conclusion which emerges (Please turn to p. 533)

INDIAN UNION

The Yield of the Principal Taxes

UNION EXCISE DUTIES

(All figures in lakhs of rupees)

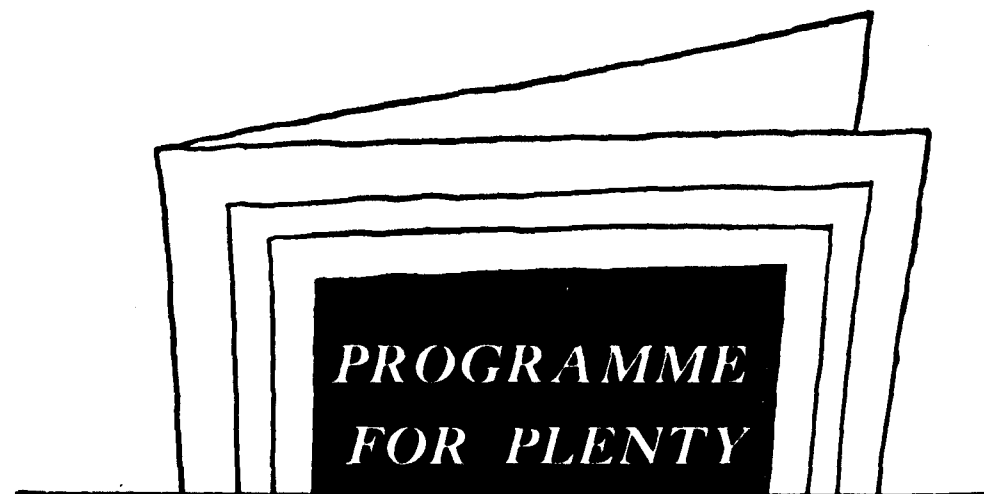
	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59
	Accts.	Accts.	Accts.	Accts.	Accts.	Revised	Budget
Motor Spirit	2.11	2.47	9.87	23.05	25.23	29.60	32.00
Kerosene	24	33	93	2.43	3.29	3.30	3.45
Sugar	99	14.36	8.36	18.58	20.88	37.62	42.00
Matches	9.45	9.32	9.25	10.08	10.05	14.30	15.33
Steel Ingots	61	60	67	69	64	5.93	6.68
Tyres and Tubes	4.40	4.95	5.39	5.53	6.15	6.30	6.30
Tobacco	34.68	33.00	31.39	36.46	38.43	42.46	42.64
Vegetable products	2.75	2.79	3.13	3.82	4.35	4.00	4.20
Coffee	59	77	98	93	1.20	1.25	1.30
Tea	3.46	2.09	3.19	3.17	3.19	4.40	4.40
Cotton Cloth	13.46	21.67	27.59	28.18	51.86	61.49	58.56
Artificial Silk	—	11	49	2.18	1.03	80	80
Cement	—	10	2.11	2.22	2.55	9.96	11.36
Footwear	—	8	82	84	99	98	98
Soap	—	16	1.40	1.55	1.85	1.65	1.65
Woollen Fabrics	—	—	2	53	61	60	60
Electric Fans	—	—	5	27	32	40	45
Electric Bulbs	—	—	1	25	28	30	30
Electric Batteries	—	—	5	73	89	81	81
Paper	—	—	21	2.68	3.27	5.00	5.20
Paints and Varnishes	—	—	9	1.01	1.17	1.10	1.10
Vegetable non-essential oils	—	—	—	29	5.30	9.25	9.50
Refined Diesel Oils and Vapourising Oils	—	—	—	16	2.53	7.00	7.60
Industrial Fuel Oils—							
Diesel Oil	—	—	—	47	3.03	2.80	2.86
Furnace Oil	—	—	—	—	7	95	90
Rayon and Synthetic fibres and yarn	—	—	—	—	5	32	32
Motor Cars	—	—	—	—	—	—	—
Coal Cess	2.42	2.54	2.45	2.38	2.18	2.45	2.45
Cess on Copra	—	—	—	—	—	7	7
Cess on Oils and Oilseeds	—	—	—	—	15	20	15
Miscellaneous	62	72	1.91	76	1.21	51	51
TOTAL - GROSS REVENUE	84.73	96.06	1,10.36	1,49.24	1,92.75	2,55.80	2,64.45
DEDUCT—REFUNDS AND DRAWBACKS	1.70	1.08	—2.14	—3.99	—2.32	—3.35	—4.00
TOTAL - NET REVENUE	83.03	94.98	1,08.22	1,45.25	1,90.43	2,52.45	2,60.45
ADDITIONAL EXCISE DUTIES							
Sugar	—	—	—	—	—	3.55	12.18
Textiles	—	—	—	—	—	6.39	21.90
Tobacco	—	—	—	—	—	2.16	7.40
TOTAL	—	—	—	—	—	12.10	41.48
GRAND TOTAL—UNION EXCISE DUTIES	83.03	94.98	1,08.22	1,45.25	1,90.43	2,64.55	3,01.93

SUMMARY OF CAPITAL TRANSACTIONS

(Receipts)

(In lakhs of Rupees)

	1954-55 (Accounts)	1955-56 (Accounts)	1956-57 (Accounts)	1957-58 (Revised)	1958-59 (Budget)
New Loans	1,58.77	1,06.35	1,68.58	2,14.24	4,29.76
15-year Annuity Certificates	55	45	42	50	1,65
Inter-State Settlement	14.64	78	1,55	—	—
Net Receipts from:					
Treasury Bills	1,36.92	1,23.38	2,40.45	3,80.00	2,05.00
Treasury Savings Deposit Certificates	5.00	4.06	3.01	5.20	17.00
Treasury Deposit Receipts and other Floating Loans	—12	—	—	—	—
Post Office Savings Bank Deposits	24.59	35.09	23.65	18.00	25.00
12-Year National Plan Saving Certificates	—	—	—	62.00	86.00
Cumulative Time Deposits	—	—	—	—	2.50
Post Office Cash Certificates	—2.02	—1.26	—1.10	—95	—90
National Savings Certificates	19.78	19.27	19.07	—22.10	—26.57
Defence Savings Certificates	—12	—6	—4	—5	—3
National Plan Certificates	7.38	9.00	9.00	—2.50	—4.50
Other Unfunded Debt	15.88	16.89	18.84	18.90	19.53
Railway Depreciation, Revenue Reserve and Development Funds	—14.00	6.92	6.31	—11.58	—28.44
Telephone Development Fund	29	44	51	25	—1,15
P. & T. Renewals Reserve Fund	21	37	24	1,58	1,45
Other Miscellaneous Reserve Funds	31	21	4	—66	—50
Appropriation for Reduction or Avoidance of Debt	5.00	5.00	5.00	5.00	5.00
Deposits under Income Tax Act (Net)	—6.71	—1.33	—2.83	3.48	6.83
Discount Sinking Fund (Net)	—1.37	—50	—1.48	63	1,73
Payment by Reserve Bank for Rupee Coin	494	5.00	5.00	5.00	5.00
Repayment of Loans by States	17.47	25.22	34.60	94.30	62.22
Other Loan Repayments	6.48	8.10	7.49	16.95	12.47
Other Deposits and Advances (Net)	8.04	40.89	36.11	92.47	71.60
TOTAL	4,01.91	4,04.27	5,79.42	8,80.66	8,90.65
Deficit on Capital Account	38.99	76.95	33.70	5.54	—
GRAND TOTAL	4,40.90	4,81.22	6,13.12	8,86.20	8,90.65



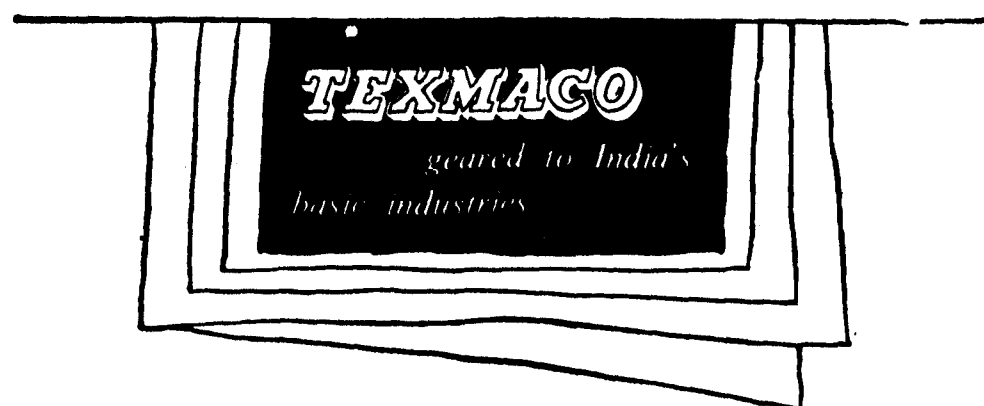
More of everything for the common man is the basic objective of the Second Five Year Plan.

Rapid industrialisation, with particular emphasis on basic industries, is the key to the fulfilment of this programme.

The ever-widening activities of Texmaco are geared to this very objective of national regeneration.

In line with the Plan, their factory at Belgharia has been equipped with the most modern machinery. Texmaco's

contribution to India's industrial development is a wide variety of products. In technical collaboration with manufacturers of world repute they supply the complete range of spinning machinery for cotton and staple fibre, jute and sugar mill machinery, industrial and locomotive boilers, pressure vessels, railway rolling stock, steel structurals, steel castings, hydraulic dam project equipment, etc.



TEXTILE MACHINERY CORPORATION LIMITED

TAC 4

is that Government has chosen to remain adamant on this controversial tax measure.

Easily, the controversy has centred mainly on the levy of this tax on companies. Inspiration for this levy on companies has not come from Prof. Kaldor. The Finance Minister made no secret of his stubborn faith in the absolute necessity of including companies in the scheme of the wealth-tax. The egalitarian purpose is totally out of place here. The unvarnished truth is that companies were drawn into this net purely on revenue considerations. The Finance Minister maintained that in the peculiar circumstances of this country companies must be subjected to this tax. What he unmistakably hinted at was the alleged concentration of wealth in the hands of limited numbers. He frankly told the Select Committee that it would be purposeless to proceed with the legislation if companies were omitted from its coverage. The argument against the wealth-tax on companies rests on several far-reaching grounds. If companies are the principal source of the yield, it means in blunt terms that resources are being transferred from the private sector to the public sector. One reason trotted out for the wealth-tax is that it will discourage wealth from remaining idle and encourage its employment in productive channels. By no stretch of imagination can this reasoning be applied to company assets. When the private sector is driven to fend for itself in the matter of capital resources for development, this unwarranted inroad can have even no semblance of justification.

In the peculiar situation in which our economy is placed for some time now, including the time of introduction of this measure, it is surprising that its repercussions on the foreign investor have not been given the weight they deserve. Our need for foreign investment is by no means a fleeting phase in our future development. It is a superficial parallel to point out the example of six European countries — West Germany, Austria, Norway, Sweden, Denmark and Switzerland — which have levied the wealth-tax on com-

panies. Two of them — Sweden and Denmark — base the levy on discrimination by taxing only foreign companies and exempting domestic companies. Will this model strengthen the appeal of our economic policy to attract foreign capital? The crucial fact that matters is that none of the major capital-exporting countries has accepted the principle of the wealth-tax on companies and hence investors from there have grave misgivings about it. Another equally crucial fact is that none (with the solitary exception of India) in the long queue of capital-importing countries has imposed this tax on companies. Immediate gains in term of revenue constitute a short-sighted criterion. The gains in terms of progressive national income through increasing investment and progressive taxable capacity ought to prevail.

One of the basic issues on which data cannot be expected at this stage but must be objectively collected and properly sifted is the volume of difficulties in the administration of this tax. These difficulties are formidable except in countries where the system of documents of title and so forth has reached a high stage, "benami" transactions are practised to the bare minimum and records usually offer a correct clue to ownership. These conditions obtain in our country in quite an inadequate degree. The difficulties of discovering the genuine owner are of no marginal order. Tightening of registration of property records may help some way, but the quality of the records particularly in respect of precision cannot improve faster than the general level of knowledge. Under-valuation of property is not easy to overcome. To suggest that it can be countered effectively by the Government undertaking to purchase the property is to prescribe an abstract remedy. Annual valuation of net wealth increases the magnitude of these problems. But efficient staff of valuers can be developed only over a period of time. Apart from it, the rest of the machinery has to grapple with a job which is so full of complications in practical administration. The major explanation of the shortfall in the budgeted revenue probably lies here.

The Expenditure Tax

THE Expenditure Tax Act comes into force from April this year. India thus ventures to claim credit to be the first country to experiment in its pattern of taxation this hitherto untried and novel fiscal measure. The wisdom of this course will remain open to sure. It is interesting to note that the proposal question. It is interesting to note that the proposal of an expenditure tax could not gain acceptance even in advanced countries with well-developed tax systems. Thus when the idea was mooted in the U.S. during the last war in September 1942, it was dismissed by Congress in view of the complex administrative difficulties involved. When later, Prof. Nicholas Kaldor, the staunchest advocate of this measure, suggested it for adoption in England, the government of that country did not show any enthusiasm. Now if this country wants to make this daring fiscal innovation as part of the Kaldorian armoury of tax reform, it must be based on compelling necessity or overriding advantages. Can it be proved that there is an unanswerable case for an expenditure tax which must at all costs find its way in the statute book?

The theoretical justification for the tax was provided by the Finance Minister while introducing the budget for 1957-58 during last May. While conceding that "this is a form of taxation which has no backing that 'this is a form of taxation which has no backing as yet of historical experience'; he argued that 'given effective administrative arrangements, it can be a potent instrument for restraining ostentatious expenditure and for promoting saving'. Even on the theoretical plane, however, there has been a good deal of controversy over the alleged merit of the expenditure tax over the

income-tax for promoting savings and fostering a higher rate of economic growth. For example, it has been contended that if the total revenue to be collected were the same, the substitution of an expenditure tax for the income-tax is not likely to go very far in stimulating savings. Again, if the expenditure tax is to form part of an "integrated" system with the wealth tax and estate duty, whatever effect the former may have on savings is bound to be nullified by the latter which certainly do not strengthen the urge for accumulation of wealth.

The central argument that an expenditure tax provides the needed incentive for accumulation and investment is hardly tenable. Mr. Kaldor himself was fully aware of the practical difficulties involved in introducing the tax even assuming that it had great merits from the point of view of equity, incentives and economic efficiency over the income-tax. Hence he admitted that "it would be impossible to think of replacing the present system with an expenditure tax system at one stroke", and, therefore, "the only practicable line of advance is to make a cautious beginning by introducing an expenditure tax side by side with the existing income-tax." In the Indian context, Mr. Kaldor was clearly inclined to lay special stress on its potential to prevent tax evasion. The contention was that since progressively high rates of income-tax defeat their own end by encouraging extensive tax avoidance and tax evasion, an expenditure tax, coupled with a reduction in top marginal rate of income-tax, will be more effective as it will reduce the incentive

to evasion and at the same time make it more difficult. But the expenditure tax to come into force is typical of the saying "Heads I win and tails you lose". Whereas the Kaldor report suggested the "replacement of the higher ranges of super-tax on personal income with a super-tax on personal expenditure" and the reduction of the income-tax and super-tax so that the maximum rate of such taxes would be 45 per cent, the budget proposals have provided the maximum rate of income-tax and super-tax of 84 per cent. Thus the imposition of the expenditure tax without corresponding reduction in the income or super-tax disregards the very pre-requisite prescribed by its most ardent advocate.

Even granting that there is some 'raison d'être' for an expenditure tax from the point of view of promoting savings and checking tax evasion, the administrative difficulties involved are so formidable that one shudders to think of the implications. Mr. Kaldor himself was keenly aware of this as he himself had expressed the view that "a personal expenditure tax would undoubtedly be a more complicated tax to administer than the present type of income-tax. It would make greater demands on the tax-payer in the preparation of the return as well as on the revenue officials in checking it." But this is a serious understatement. For the purpose of assessment, the assessee has to give full information on the totality of his affairs. It is true that the expenditure tax is payable by an assessee only if his income from all sources during the relevant previous year, reduced by the amount of taxes to which such income is liable under any other law for the time being in force, exceeds Rs. 36,000. The number of assessees may thus be not very much and an estimate puts the total number of assessees at 6,000 — 4,500 for individuals and 1,500 for Hindu undivided families. (It may be mentioned that the tax is leviable only on individuals and Hindu undivided families and not on other classes such as companies, firms or association or persons on which income-tax is levied). Sections 3, 4, and 5 of the Act give respectively the amounts to be included in the taxable expenditure, the exemptions granted and the deductions to be made in computing the taxable expenditure.

It will be without doubt, a Herculean job for an assessee to go through the various relevant provisions for making a correct declaration for which he has to take into account the state of bank and cash balances

at the beginning and end of the year, purchase and sale of capital assets during the year, money borrowed or lent or loans repaid or borrowings returned in the course of the year and so on. The procedure for assessment prescribe that the assessee must himself file the return of expenditure before June 30, of the assessment year. But the expenditure tax officer may also serve a notice upon any individual or Hindu undivided family whom he considers liable for expenditure tax to file the return within a period to be specified. After filing the return, the E.T.O. would normally serve usual notices for production of accounts or other evidence in support of the return and after examination of the return and the evidence in support of the return, he would complete the assessment and serve a notice of demand upon the assessee calling upon him to pay the amount of tax levied before a certain date.

It is thus clear what an inquisitorial army this would let loose in the shape of officials leading to encroachment on personal and private affairs of the assessee. What is more, it is bound to lead to considerable harassment if the official concerned chooses to abuse his power by asking for details concerning the mode of living of the assessee and question of such a nature. There can be no end to prying into personal matters and interference with his right to order his individual financial matters. An aggrieved assessee has the right to file an appeal to the Appellate Assistant Commission, Appellate Tribunal and so on. But this is hardly going to save him from the harassment. Even though only a small fraction of the population will come under the operation of the Act, is it permissible under a democratic State to subject even a single citizen to abridgement of his personal freedom and violate the sanctity of his precincts by an overzealous official? And for what end? In the revenue estimates for the budget year credit is taken for Rs. 3 crores under expenditure tax. Thus either from the point of revenue yield or augmenting resources for the Plan, it has little merit. In spite of the gloss of egalitarianism, its net contribution to the objective of reduction of inequalities will be not in the least worth the insuperable administrative difficulties involved in its enforcement. Its only virtue lies in its 'novelty' and the satisfaction of pandering to certain sentiments. If this is the justification, the question must be asked, Is this the time for subjecting the economy to experimentation of extremely dubious merit?

The Heavier Estate Duty

THE Estate Duty (Amendment) Bill introduced in the Lok Sabha as part of the budget proposals cannot but be adjudged as premature. Its overall effect is to raise the incidence of the duty directly or indirectly in different forms. In the immediate context the revenue from this duty will be raised for the next financial year by 20 per cent from Rs. 2.50 crores to Rs. 3 crores. As the efficiency of administration of the tax improves, the collections are bound to disclose higher yields at the proposed rate and base of the levy. One stock argument advanced in criticism of the scheme of the Estate Duty Act, 1953, is that the exemption limit is pitched too high and the rates are relatively low. The argument further runs that the duty should be tightened up in both the directions. This view was pressed before the Taxation Enquiry Commission, but it failed to find prompt acceptance at its hands.

The reasons are clear enough. The quality of the administrative staff must be improved to a degree where it can effectively cope with the volume of work, since mere addition to its strength will not fulfil the requirements. The Commission recorded its view that the feasibility of lowering the limit below Rs. 1 lakh for property (other than specified types of Hindu joint

family property) should be kept in view by the Government. But it urged the necessity for hastening slowly. A lowering of the limit would not bring a commensurate increase in the net revenue on account of higher collection costs and inadequate spread of assessment. Experience in the United Kingdom has resulted in raising the exemption limit from £2,000 (Rs. 26,600) to £3,000 (Rs. 39,900) only four years ago. Broadening the base of the tax would require extended exemption for more items of property in the interest of equitable relief. It should be plain that cogent considerations such as these impelled the Commission to caution patience and advise the next step only after sufficient experience was gained from the duty in operation.

Can it be said that adequate experience in the administration of this intricate measure has been obtained and the preliminary ground consolidated? The dilatory course of the disposal of assessment proceedings in respect of the estate duty points to a contrary conclusion. In the face of this reality of the situation, the step which is now being taken can be explained on fiscal grounds. The present exemption limits are Rs. 50,000 in the case of the coparcenary interest of the deceased in

(Please turn to page 538)

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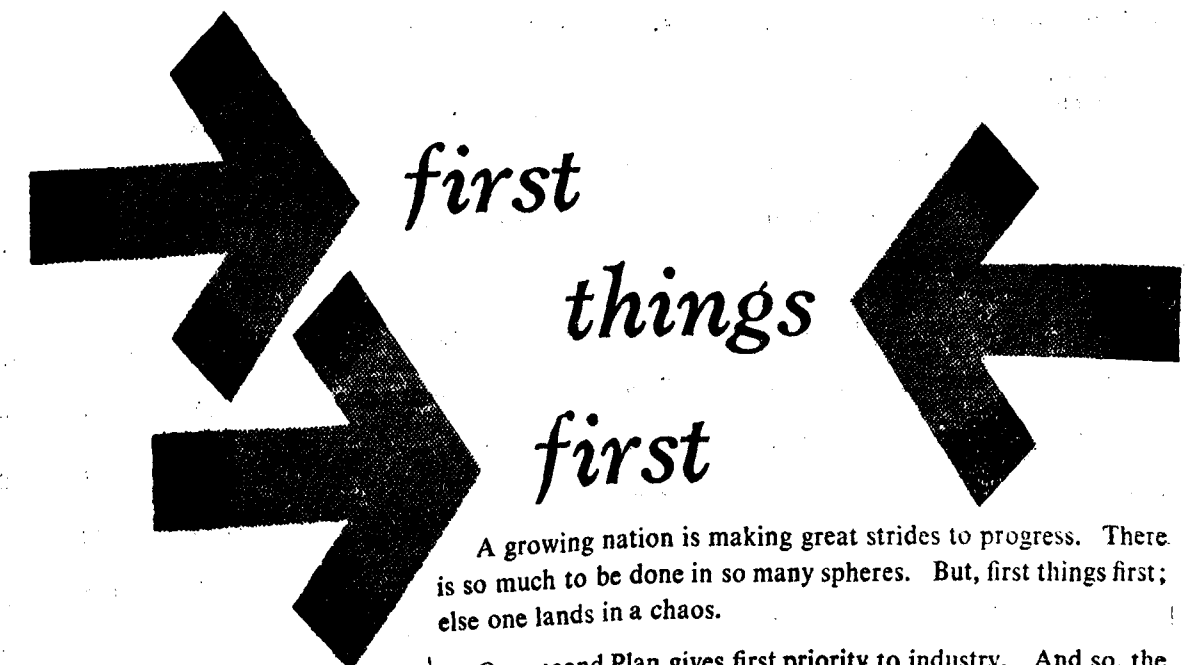
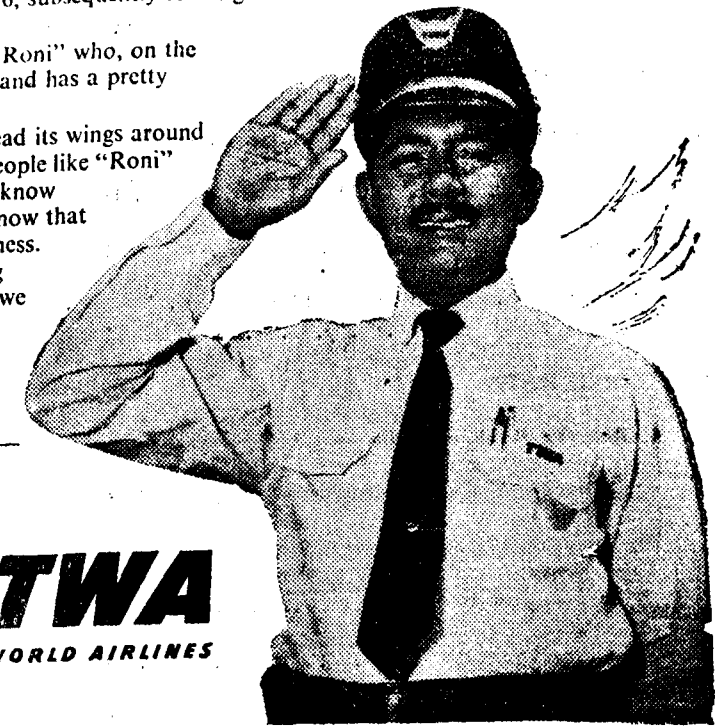
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EASTERN RAILWAY



Money Supply with the Public and Related Monetary Data*

1954—1957

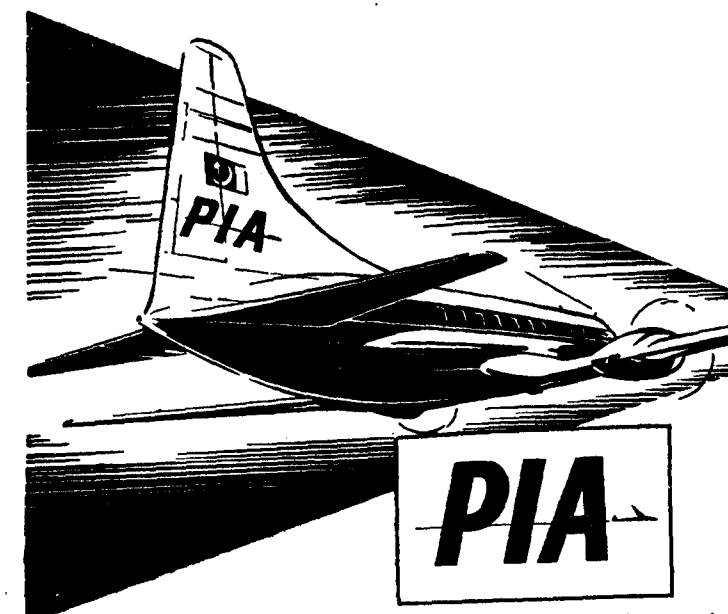
(In Crores of Rupees)

	Last Friday of				Variations during		
	1957	1956	1955	1954	1957	1956	1955
I. MONEY SUPPLY							
1. Currency with the public	1,526.79	1,485.34	1,385.89	1,224.61	+ 41.45	+ 99.45	+ 161.28
2. Demand liabilities (net) of banks	732.41	681.35	650.14	597.20	+ 51.05	+ 31.21	+ 52.94
3. Other deposits with R.B.I.	16.51	11.96	11.14	10.34	+ 4.55	+ 0.82	+ 0.80
4. Money supply with the public (1+2+3)	2,275.71	2,178.65	2,047.17	1,832.15	+ 97.06	+ 131.48	+ 215.02
II. ALLIED DATA							
A. Reserve Bank of India —							
1. Deposits of Central Government	53.54	57.24	54.01	54.89	— 3.70	+ 3.23	— 0.88
2. Deposits of State Governments	13.01	8.00	10.62	16.74	+ 5.01	— 2.62	— 6.12
3. Deposits of Banks	70.69	58.09	57.87	69.13	+ 12.60	+ 0.22	— 11.26
4. Other Deposits	113.70	13.87	15.81	34.39	+ 99.83	— 1.94	— 18.58
5. Other Liabilities	153.76	146.59	48.17	46.82	+ 7.17	+ 98.42	— 1.35
6. Foreign Assets	297.65	529.91	735.18	730.79	— 232.26	— 205.27	— 4.39
7. Rupee Securities	1,242.38	847.17	589.21	493.09	+ 395.21	+ 257.95	+ 96.12
8. Loans and Advances to Govern- ments	35.03	7.27	3.66	1.67	+ 27.76	+ 3.61	+ 1.99
9. Other Loans and Advances	60.04	106.04	44.83	21.29	— 46.00	+ 61.41	+ 23.34
10. Bills Purchased and Discounted	2.70	3.30	12.07	4.01	— 0.60	— 8.77	+ 8.06
B. Scheduled Banks —							
11. Demand Liabilities (net)	701.76	643.57	615.60	566.84	+ 58.19	+ 27.97	+ 48.76
12. Time Liabilities (net)	667.28	457.16	412.82	365.28	+ 210.12	+ 44.54	+ 47.34
13. Total Deposits Liabilities (net)	1,369.04	1,100.73	1,028.22	932.12	+ 268.31	+ 72.51	+ 96.10
14. Borrowings from the R.B.I.	23.63	79.06	30.02	9.63	— 55.43	+ 49.04	+ 20.39
15. Cash in India	39.56	38.55	39.33	35.95	+ 1.01	— 0.78	+ 3.38
16. Balances with the R.B.I.	67.83	51.98	60.88	67.79	+ 15.85	— 8.90	— 6.91
17. (15+16) as per cent of (13)	7.84	8.22	9.75	11.13	— 0.38	— 1.53	— 1.38
18. Investments in Government Securities	433.43	364.44	383.00	347.87	+ 68.99	— 18.56	+ 35.13
19. (18) as per cent of (13)	31.66	33.11	37.25	37.32	— 1.45	— 4.14	— 0.07
20. Scheduled Banks Credit	863.64	781.23	627.83	541.88	+ 82.41	+ 153.40	+ 85.95
21. (20) as per cent of (13)	63.08	70.97	61.06	58.13	— 7.89	+ 9.91	+ 2.93

* Provisional figures

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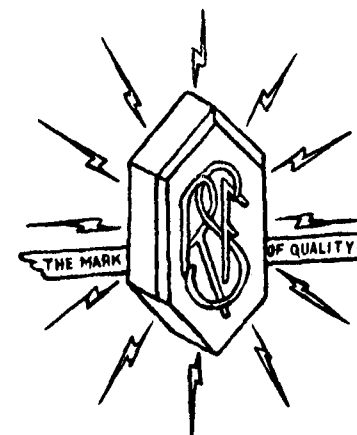
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the joint Hindu family governed by the Mitakshara, Marumakkattayam or Aliyasantana schools and Rs. 1,00,000 in the case of all other property. The amending Bill proposes to lower the latter limit to Rs. 50,000 so that a uniform exemption limit at this level will be in force. This process of broadening the base is still another instance of hitting the middle class, for it is this class which is to be brought within the clutches of the estate duty regardless of its disincentive impact on savings.

Another significant change sought to be introduced in the existing law is to raise the rates of the duty. The existing rate of duty for the first slab of Rs. 50,000 in the case of the specified types of Hindu joint family is 5 per cent which should have been retained after the introduction of a uniform exemption limit of Rs. 50,000 for all classes of property. The new rate for the first slab is being fixed at 6 per cent. There are two other variations in rate which have been described as "rounding off". The current rate for the fourth slab between Rs. 2 lakhs and Rs. 2.5 lakhs is 12½ per cent which will gain a reduction of ½ per cent to 12 per cent. But by a curious logic, "rounding off" has been applied in the reverse direction to the second slab—Rs. 1 lakh to Rs. 1.5 lakhs—and the rate in this bracket has been raised from 7½ per cent to 8 per cent. Obviously this logic has been influenced by the volume of taxable property. There is more than meets the eye in the variations in the rates of estate duty. Where property consists of a Hindu family governed by any of the three schools of law mentioned above, the interests in the joint family property of all the lineal descendants of the deceased will be aggregated. This mode of aggregation is calculated to bring the taxable portion of the property of the deceased within higher slabs attracting higher rates of duty.

The screw has been tightened in respect of the liability to tax of certain kinds of transfers. Gifts inter vivos purporting to take immediate effect, disposition of limited interest in property by the deceased or surrender of interest or right in property where the

settlor is excluded from enjoyment or benefit of the property, and property held by the deceased as trustee under prescribed conditions were excluded from liability for estate duty if these transfers were made at least two years before the death of the deceased. The period is now to be extended to five years.

Payment of duty which is finally assessed very often raises difficulties for lack of liquid resources. Suggestions were advanced that, following the example of some other countries, Government should accept immovable property or equity shares or similar other forms of property in payment. For obvious reasons they were turned down. The existing law allows the person accountable for the duty the choice to pay in eight equal annual instalments or sixteen half-yearly instalments with 4 per cent interest or higher interest if realised by the assets. The concession is being reduced to three annual or six half-yearly instalments. It is true that the Controller of Estate Duty has been invested with discretion to grant accommodation and there is the assurance of liberal exercise of this discretion. But that does not exclude the possibility of hardship in particular cases. In any event, the abridgement of the option to pay in instalments is certainly drastic.

This analysis of the stringent provisions of the amending Bill does not imply that there are no relieving features in it. Gifts made in consideration of marriage, moneys earmarked for marriage of dependant females and gifts which are approved as normal expenditure incurred by the deceased are limited at present to Rs. 5,000. The ceiling is to be raised to Rs. 10,000. The nature of provisional and regular procedures is being clearly defined. Provision is being made for first appeal to the Appellate Controller and an Appellate Tribunal will be set up for second appeals. A period of limitation of five years from the death of the deceased in the case of the first assessment and of three years from the previous assessment in the case of reassessment is to be prescribed to give finality to devolution of property.

The Tax on Gifts

THE Gift-Tax Bill is this year's gift which the Exchequer presented to itself on February 28. It is the last weapon in the armoury of the "integrated" system of direct taxation recommended by Prof. Kaldor. It is averred that the gift-tax is a logical concomitant of the estate duty. Its loop-hole-plugging function is argued in justification of its levy not only in relation to the estate duty but the wealth-tax, the expenditure-tax and the traditional income-tax. Prof. Kaldor's report has admittedly overshadowed the Taxation Enquiry Commission's labours. Adverting to the gift-tax as "the second line of defence" for the estate duty, the Commission urged the creation of this second line after adequate administrative efficiency was achieved in the application of the estate duty. No claim has been officially advanced that this precondition has been satisfied in the period of about four years during which the Estate Duty Act has been in force. In the Commission's considered opinion, the real value of the gift-tax is great where estate duty rates are "steeply progressive". By implication, the argument for the imposition of the gift-tax loses cogency where they are not.

The scheme of the gift-tax adumbrated in the Bill makes an important departure from the Kaldorian formula. Prof. Kaldor had recommended that liability for payment of the gift-tax should be foisted on the donor. He maintained that the correct principle would be to prescribe a slab system of graduation to the donee's total estate, including of course the gifts received, and "to tax the gifts received in any one assessment year according to the additions they make to his

net wealth and at the rate applicable in the relevant zone (or zones)". On this hypothesis he based his estimate of the yield from this tax at Rs. 30 crores which has been criticised by informed opinion as academic. He argued that the method of aggregation of gifts made in a specified period which is universally accepted in countries where the tax is enforced was not an ideal solution. Hence his proposal for an ideal substitute.

The Government of India has, however, chosen to follow the mode practised in the few countries where this levy is made. The value of the taxable gifts made by the donor-assessee during the five years preceding the assessment year are aggregated for the purpose of the application of the rate of the tax. The actual charge, however, is to be made on the value of the gifts made in the previous year. The Act will come into force on April 1, 1958, which means that the first batch of gifts to be taxed will be those made in the assessment year 1957-58. The rates under the Estate Duty Act, as it is proposed to be amended by the pending Bill, have been adopted for the gift-tax with the necessary difference that the basic slab of Rs. 50,000 will not be exempted. The rate applicable to this slab is 4 per cent. The market value of the gifted property is to be accepted as value for assessment. The powerful arm of the tax-collector may reach the donee. For it is provided that, although primary liability for the tax is that of the donor, the donee will be liable jointly with the donor or severally to the extent of the tax "attributable to the value of the gift made to the donee by the donor as to the date of the gift". This provision

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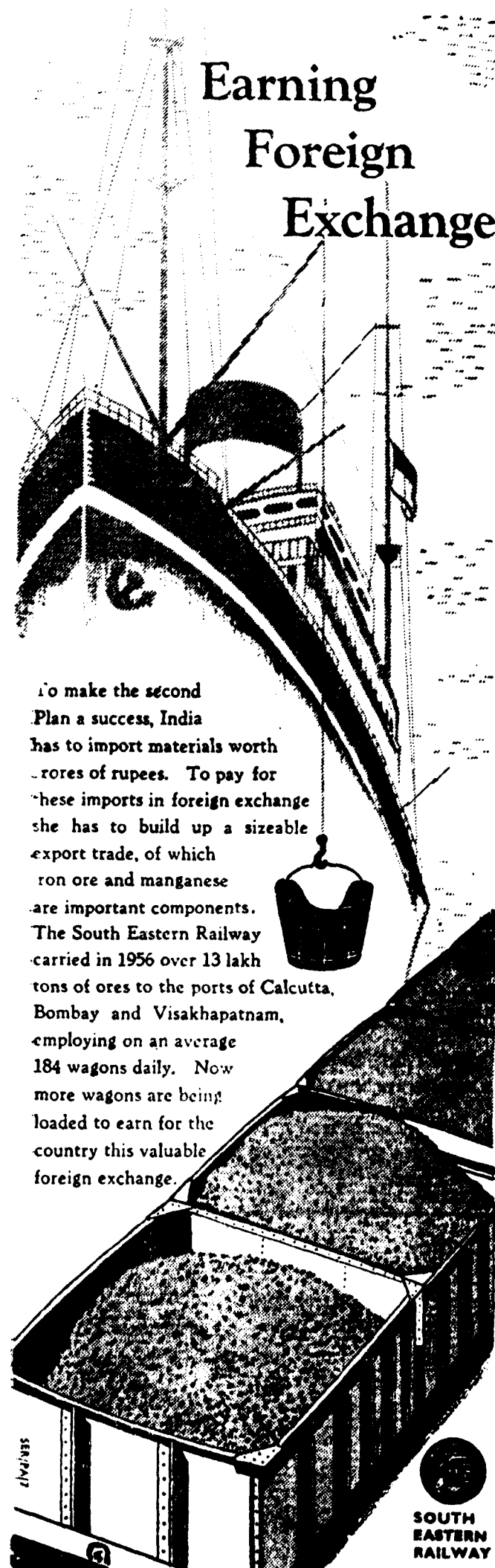
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Outstanding Public Debts of the Government of India

(In lakhs of Rupees)

Particulars	Date of Issue	Earliest date of maturity	Estimated amount on 31st March 1958	Estimated amount on 31st March 1959
A—RUPEE LOANS:				
I—Current Loans:				
Terminable Loans				
4½ per cent loan 1958-68	1st June 1928	1st June 1958	5,86	..
4 per cent loan 1960-70	15th Sept. 1926	15th Sept. 1960	63,30	63,30
3 per cent loan 1963-65	1st June 1938	1st June 1963	1,16,17	1,16,17
3 per cent Funding loan 1966-68	22nd Oct. 1943	1st Oct. 1966	1,10,12	1,10,12
3 per cent Second Victory loan 1959-61	19th March 1945	15th August 1959	1,13,66	1,13,66
3 per cent First Development Loan 1970-75	16th April 1945	15th Oct. 1970	1,15,06	1,15,06
2½ per cent loan 1960	15th Jan. 1946	15th July 1960	45,63	45,63
2½ per cent loan 1961	1st Aug. 1946	1st August 1961	57,01	57,01
2½ per cent loan 1976	16th Sept. 1946	16th Sept. 1976	14,77	14,77
2½ per cent loan 1968	15th Nov. 1947	15th Nov. 1962	75,87	75,87
3 per cent loan 1964	19th June 1950	15th June 1964	30,33	30,33
3 per cent loan 1958	16th Aug. 1951	16th August 1958	15,10	..
3½ per cent National Plan Bonds, 1961 (First Issue)	8th June 1953	1st June 1961	75,29	75,29
3½ per cent National Plan Loan 1964	19th April 1954	19th April 1964	1,58,18	1,58,18
3½ per cent National Plan Bonds—Second Series (3½% 1965)	1st July 1955	1st July 1965	1,03,68	1,03,68
3½ per cent Bonds, 1962	16th July 1956	16th July 1962	87,27	87,27
3½ per cent National Plan Bonds—Third Series (3½% 1957)	16th July 1956	16th July 1967	33,82	33,82
3½ per cent loan 1974	16th July 1956	16th July 1974	66,62	66,62
4 per cent loan 1972	5th Aug. 1957	1st August 1972	49,17	49,17
3½ per cent National Plan Bonds—Fourth Series	5th Aug. 1957	1st August 1967	56,99	56,99
New loans	To be floated in 1958-59	..	..	1,45,00
Bhopal Loans—				
3 per cent loan 1966-76	12th Nov. 1956	Repayable at par on 15-11-76 but the Government have the option of repaying at any time after 15th November 1966, with 6 months' notice	1,22	1,22
Hyderabad Loans—				
3 per cent loan 1951-61	1st Aug. 1941	1st August, 1961 or any day after 1st August, 1951 on giving three calendar months' notice	6,59	6,59
2½ per cent loan 1953-63	16th Oct. 1943	16th October, 1963 or any day after 16th October, 1953, on giving three calendar months' notice	5,38	5,38
2½ per cent Development loan 1954-59	16th Oct. 1944	16th October, 1959 or any day after 16th October, 1954 on giving three calendar months' notice	7,55	7,55
2½ per cent Second Development loan 1955-60	1st Nov. 1946	1st November, 1960 or any day after 1st November, 1955 on giving three calendar months' notice	4,24	4,24
4 per cent Hyderabad State Development loan 1963	15th Oct. 1953	15th October 1963	3,35	3,35
1½ per cent loan, 1964	30th Oct. 1956	30th October 1964	3,86	3,86
4 per cent Hyderabad State Development loan 1967	1st Sep. 1955	1st Sept. 1967	2,12	2,12
4 per cent Hyderabad State Development loan 1968	3rd Sep. 1956	3rd Sept. 1968	2,18	2,18
2½ per cent loan 1974	1st April 1954	1st April 1974	4,40	4,40
2½ per cent loan 1975	1st Jan. 1950	1st January 1975	6,86	6,86

Particulars	Date of Issue	Earliest date of maturity	Estimated amount on 31st March 1953	Estimated amount on 31st March 1959
Non-Terminable Loans				
3 per cent 1896-97	.. 22nd July 1896	At the option of the Government of India after 3 months' Notice	8.93	8.93
3 per cent Conversion loan 1946	.. 16th Sep. 1946	At any time on or after 16th September 1986 subject to three months' notice	2,48.91	2,48.91
Annuity Certificates—				
15-year Annuity Certificates			1.76	3.26
TOTAL—CURRENT LOANS			17,01.25	18,26.79
II—Treasury Bills				
Sold to Reserve Bank			11,20.63	13,25.63
Sold to Others	..		95.07	95.07
TOTAL—TREASURY BILLS			12,15.70	14,20.70
III—Special Floating Loan				
Issued to the International Monetary Fund and the International Bank for Reconstruction and Development	..		2,07.80	2,04.37
IV—Expired Loans				
Sundry loans	..		13.98	14.94
TOTAL—RUPEE LOANS			31,38.73	34,66.80
B—STERLING LOANS				
Current Loans (India Stocks and Rly. Debenture Stocks)	..		55	15
War Contribution	..		20.62	20.62
Capital Portion of Railway Annuities	..		48	..
Expired Loans	..		3	3
U.K. Syndicate of Banks (For Durgapur Steel Project)	..		67	67
TOTAL—STERLING LOANS			22.35	21.47
C—DOLLAR LOANS				
I—Loans from the International Bank for Reconstruction and Development:				
First Railway Project loan	..		8.64	7.52
Bokaro Konor Project Loan (D.V.C. I)	..		6.74	6.31
Damodar Valley Project Loan (D.V.C. II)	..		2.58	2.65
Second Railway Project Loan	..		29.28	42.84
II—Loans from the Government of U.S.A.				
Loan for purchase of American wheat	..		89.23	88.13
Development Assistance Loan	..		23.38	46.23
Loans under PL 480	..		..	68.00
Loan from U.S.A. Loan Fund of \$225 million	..		..	1,00.00
TOTAL—DOLLAR LOANS			1,59.85	3,61.68
D—LOANS FROM U.S.S.R.				
Loan for the Steel Project at Bhilai	..		15.30	45.98
E—LOANS FROM WEST GER MANY:				
Loans in respect of deferred payment for the Steel Project at Rourkela	..		14.00	44.00
F — LOANS FROM OTHER FOREIGN SOURCES				
Sundry new loans	..		..	15.13
TOTAL—PUBLIC DEBT			33,50.23	39,55.06

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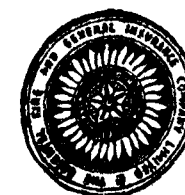
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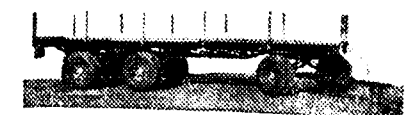
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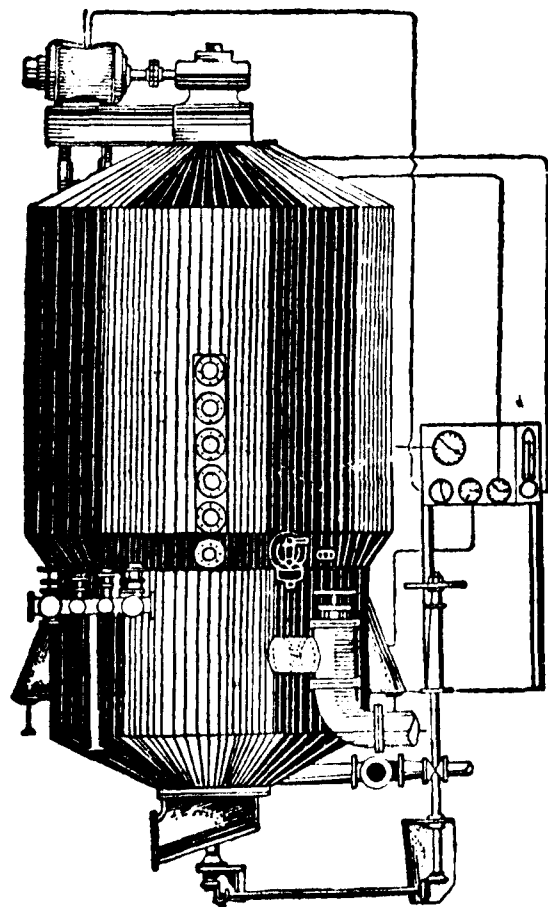


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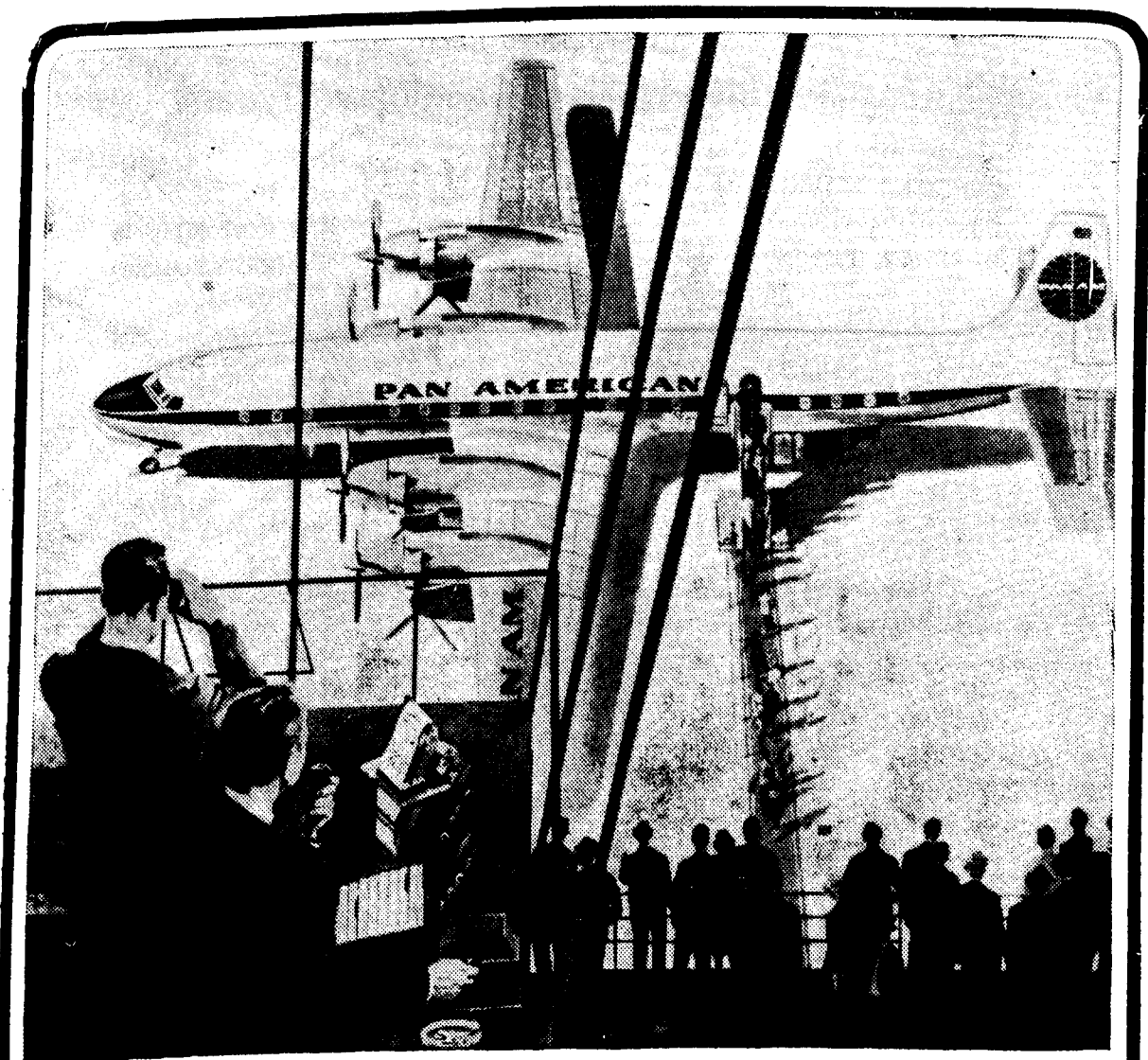
- | | |
|---|--|
| 1. Place of Publication. | New Delhi, |
| 2. Periodicity of its Publication. | Weekly. |
| 3. Printer's Name.
Nationality & Address. | Shri Devi Prasad Sharma. Indian, c/o The Hindustan Times, New Delhi. |
| 4. Publisher's Name.
Nationality & Address. | Same as (3) above. |
| 5. Editor's Name.
Nationality & Address. | Mr. E. P. D. da Costa, M.A. (Oxon.)
Indian, c/o The Eastern Economist, New Delhi. |
| 6. Names and addresses of individuals who own the newspaper and partners or shareholders holding more than one per cent of the total capital. | 1. Birla Jute Mfg. Co., Ltd. Calcutta.
2. Kesoram Cotton Mills Ltd., Calcutta.
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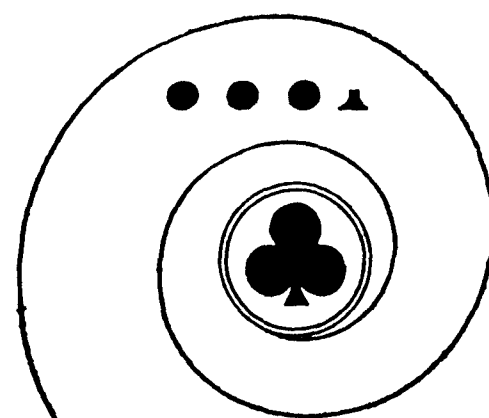
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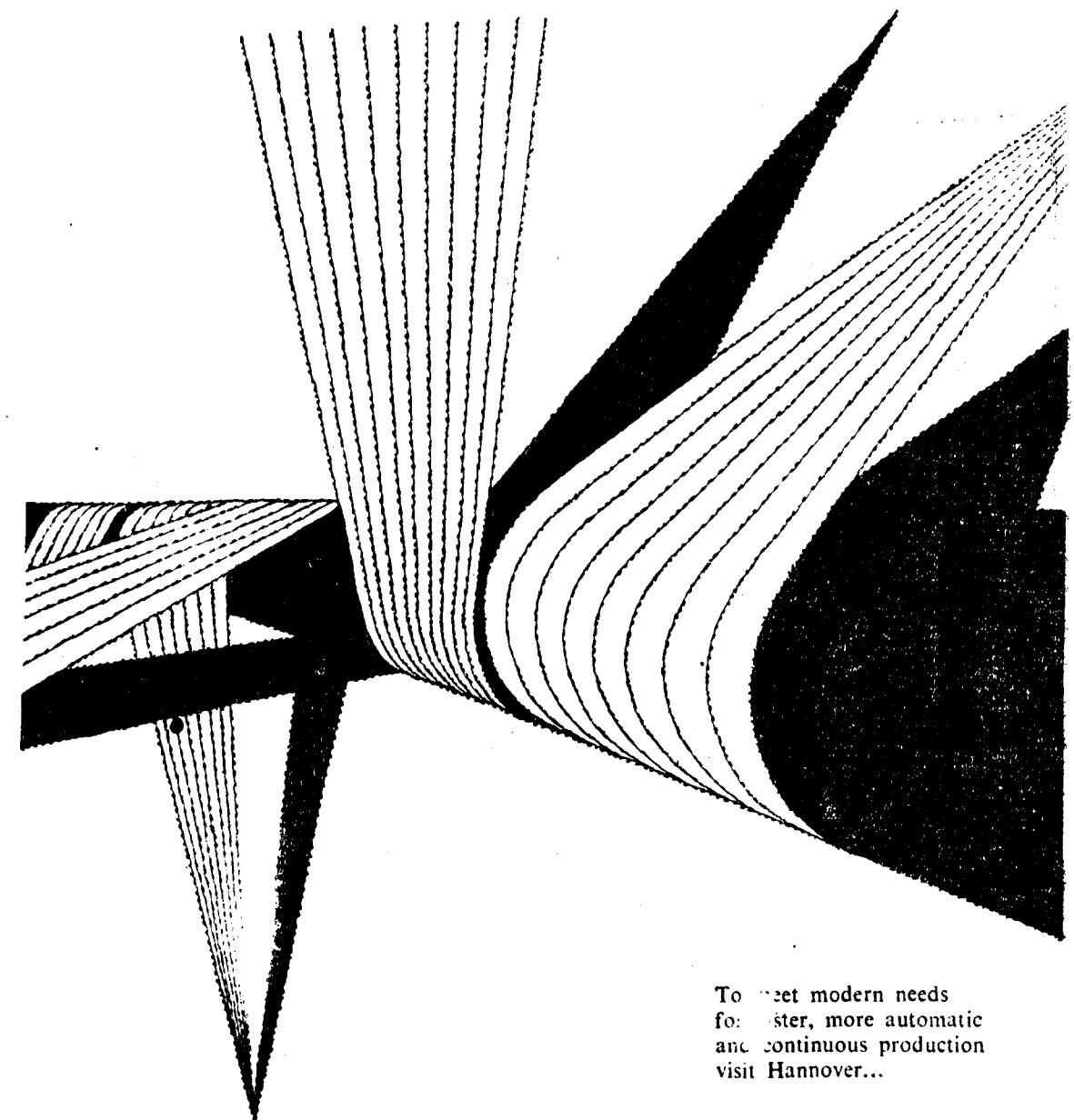
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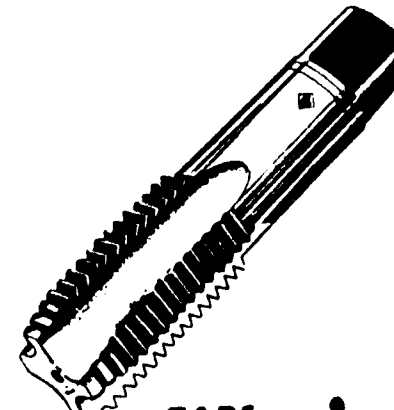


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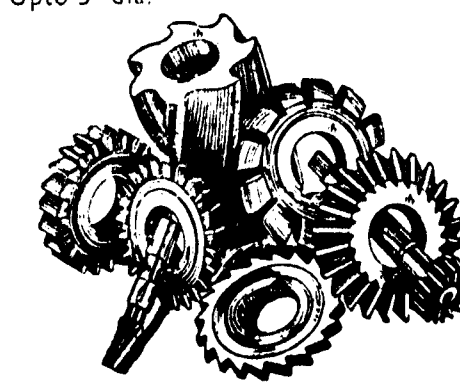
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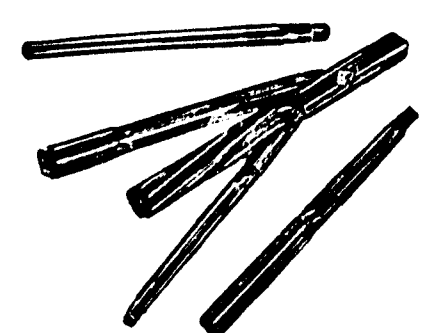
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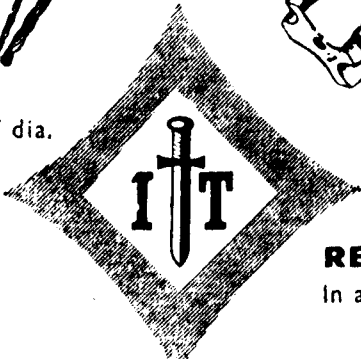
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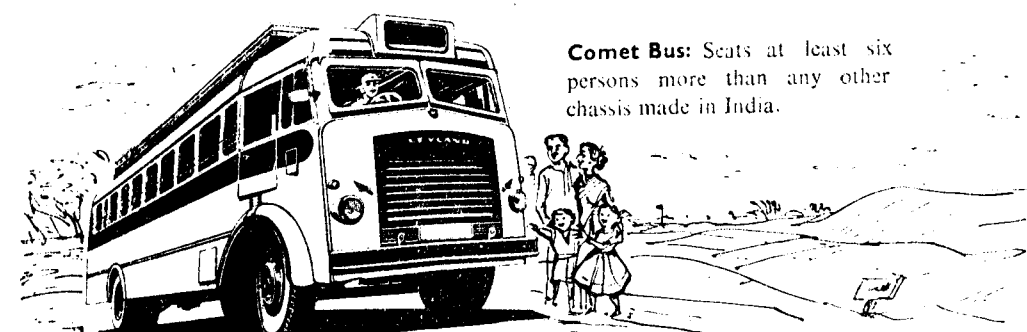
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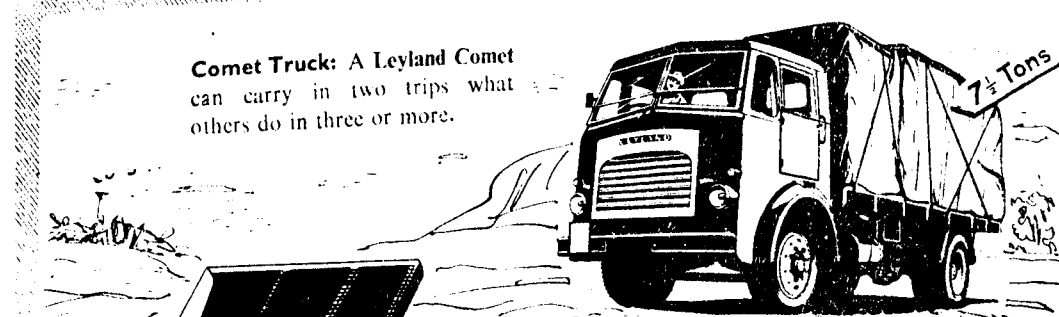
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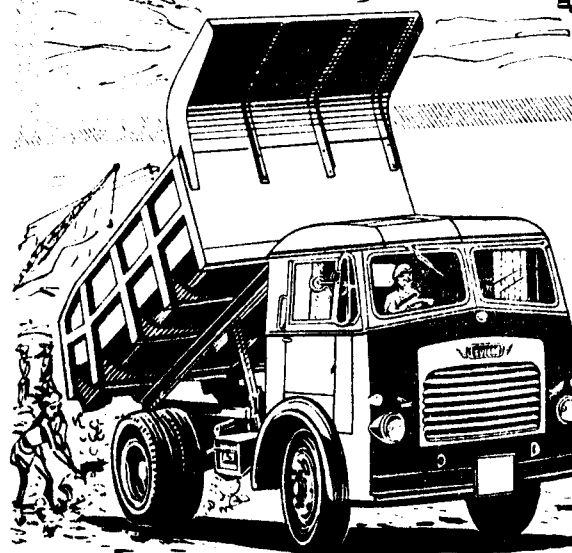
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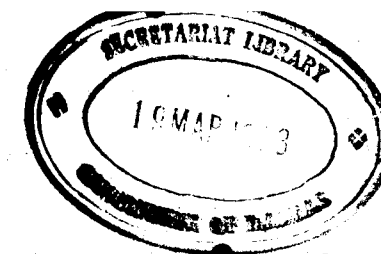
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VOL. XXX. NO. 11.

NEW DELHI: MARCH 14, 1958

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Business Men in Conference

THE thirty-first annual session of the Federation of Indian Chambers of Commerce and Industry which has just concluded at New Delhi was outstanding in at least three respects. In the first place, it seemed clear to every observer that business men have recovered their confidence and are now speaking their minds freely and un-
der the tone of the Presidential address of Mr. Babubhai Chinai and even its content—in particular the request for the denationalisation of insurance—indicated that the business community is now prepared to argue before the Prime Minister on its own lines against the all-pervasive public sector philosophy. Secondly, this meeting by way of a new instrument, the luncheon meetings, is making a determined effort to develop leadership at all levels in the business community. The first three luncheon meetings were marked successes, not only in that the dining halls con-

cerned were full to overflowing, but because it was obvious that the thoughtful speeches made had recorded deep at the receiving end. Finally, the resolutions passed, in particular the resolution which dealt with the responsibilities of large-scale industries to help medium and small-scale and ancillary industries, show a pattern of public responsibility which is new, even though its wisdom should for long have been apparent. Observers in Delhi who have watched the Federation's meetings for many years have detected a new note of vigour and decision in extending the role and responsibility of business men in India's public affairs.

This is, indeed, a welcome development. It is not claimed, nor can it be established, that the business community in India is equipped by education and upbringing to discourse on high questions of philosophy or, indeed, of political practice.

at the hands of the Railway Ministry. The final scale of rates recommended by the Committee prescribes steeper rates for the first 300 miles than those indicated in the preliminary scale. The rates for longer distances in excess of 300 miles do not vary widely in the two scales. The short distance rates for 300 miles range between 3.60 pies per maund per mile and 1.06 pies per maund per mile with the significant difference that they are all-inclusive involving the abolition of separate terminal and other charges. No estimate of additional revenue from this scale of rates has been provided in the report. But it is improbable that it would reach the level of Rs. 22.5 crores which is the extra yield from the current supplementary charge of 12½ per cent uniform. Despite the interim policy it has adopted on rates, the Railway Ministry must keep an open mind on this competent report.

The first and principal term of reference required the Committee to examine the problem with reference to the needs of a developing economy and the necessity of maintaining the financial stability of the railways which placed it in an embarrassing position. It has found it difficult to

reconcile these objectives. The Committee's main recommendation is that railway revenues must be stepped up by means of higher rates to close the gap in the resources of the railways for the second Plan. It has estimated this gap at Rs. 300 crores which can never be closed by this device. There must be a forthright recognition of the right of the railways to adequate assistance from the general revenues. Its second major recommendation is to adopt a deliberate policy of diversion of short distance traffic particularly to road transport to relieve pressure which the railways will find hard to cope with. To this end discouraging scales of rates are suggested. It is universally acknowledged that road transport development has received a raw deal in the second Plan. It will prove an inadequate substitute for railways in the near future at least. The only result of these two basic recommendations regarding rates will be to inflate the costs of industry and to penalise short distance traffic. One wonders whether the Committee has considered the elementary point that what may be good for the railways and for roads may be bad for the country.

State Finances and the Plan

THERE was understandable reason why State budgets should have induced more than local interest this year. During the first two years of the second Plan, the State budgets, taken together, have presented deficits and fortunately, during the end of last year, the Finance Commission came to their rescue with a bounteous award. It was naturally expected that not only will the State Governments act up to the suggestion of the Finance Commission not to leave uncovered deficits, but what is more, there will be considerable attempts to raise additional resources by way of further taxation. At the same time there was the feeling that the augmenting of the revenues may have the contrary effect of inducing slackness and the States would lag further behind in pushing the requisite effort for meeting their part of the Plan. All these would explain the wider appeal of the State budgets this year.

All the States, except West Bengal and Bombay, have acknowledged that they have been benefited by the Finance Commission's award. In the case of these two States, the very criterion of the Commission in the allocation of the divisible pool has been called into question. Whatever may be the merits of the complaint, there is no doubt that consequent on the recommendations of the Commission, the States' deficit of about Rs. 77 crores for 1957-58 has been nearly wiped out and even in the case of West Bengal and Uttar Pradesh, which have presented deficit budgets, the gap has been considerably reduced. Again these are the only two States so far that have not imposed any new taxes to cover the deficit. For the first time, Andhra has been able to produce a surplus budget without any new tax effort and Madhya Pradesh provides another example of early balancing of revenue and expenditure without any further taxation.

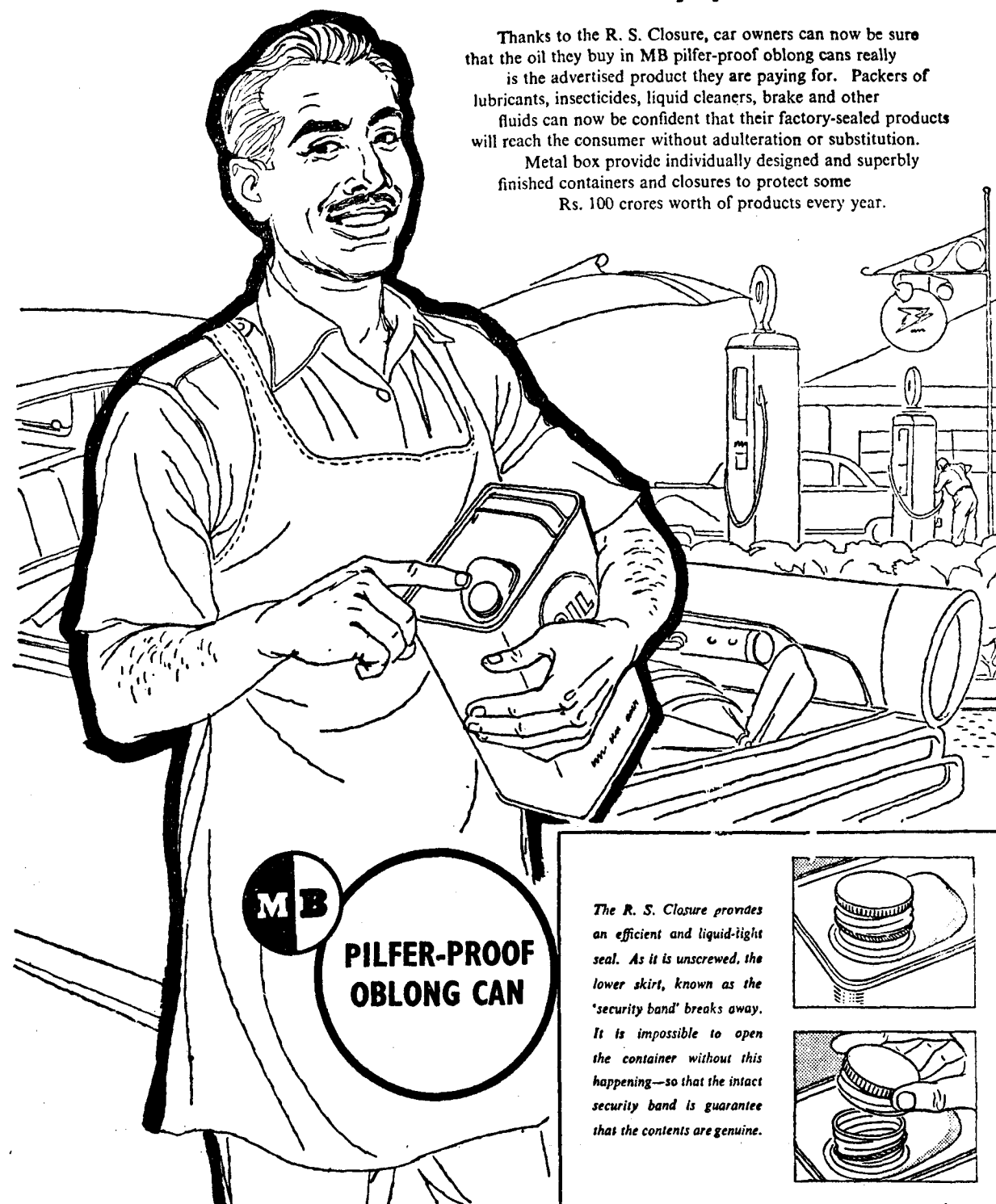
When the budgets of Uttar Pradesh and West Bengal came, it was felt that other States might conceivably emulate their example and the original prognostications of a crop of fresh taxes were only pious hopes. However, these were belied by the efforts at fresh taxation that have come from Bombay, Madras, Kerala, Punjab and Rajasthan. They seem to go nowhere near reaching the target of Rs. 225 crores laid in the Plan by way of additional taxes for the Plan

period. For example, the taxation efforts of Bombay will yield about Rs. 3 crores, Madras about Rs. 1.7 crores, Punjab Rs. 2.3 crores, Kerala Rs. 66 lakhs and Rajasthan Rs. 80 lakhs. The fact is that the search for new taxes has to be looked at with a certain amount of realism. The most important sources of revenue are sales tax, land revenue and stamp duties. New taxes that can yield some revenue are those in agriculture, income, entertainment, betting and gambling etc. Madras has introduced the agricultural income-tax. But it seems to be a temporary measure pending the final decision of ceilings on land. Its fiscal significance is also inconsiderable as it is expected to yield only Rs. 70 lakhs. Bombay's taxation effort, however laudable is bound to have adverse effect on motor transport. Punjab's taxation measures which primarily depend on extension of sales tax have caused severe criticism. With their sources of revenue being inadequate and inelastic, State Exchequers will tend to cast hungry eyes on the Central divisible pool.

If the resources position of the States from the point of view of additional taxation is thus far from bright, the outlook on the position of market borrowings also is not less so. Some of the States like West Bengal, Uttar Pradesh, Andhra and Madras, have expressed their determination to go in for market loans. But the prospects certainly are not bright. During the last year, the State Governments were able to float a loan of only Rs. 9 crores and the Central Government itself persuaded the States not to float their own market loans and proposed a new formula which would provide for a proportionately higher share of small savings if they did not float market loans. But small savings themselves did not make much headway and could barely reach a total of Rs. 120 crores in the first two years compared to an estimated yield of Rs. 100 crores a year on an average. Out of the total States' outlay of Rs. 2,102 crores, for the first two years, it was proposed to spend Rs. 826 crores. Actually, the shortfall might have been something of the order of Rs. 150 crores. For the coming year, an outlay of Rs. 390 crores is proposed. Even assuming that this is fulfilled, it will still leave another Rs. 1,000 crores for the last two years of the Plan. It will be a miracle if the Plan outlay on the States goes through.

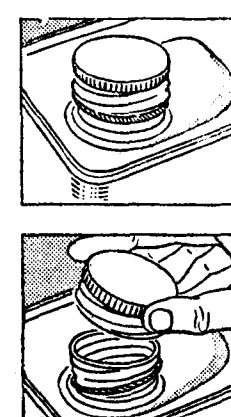
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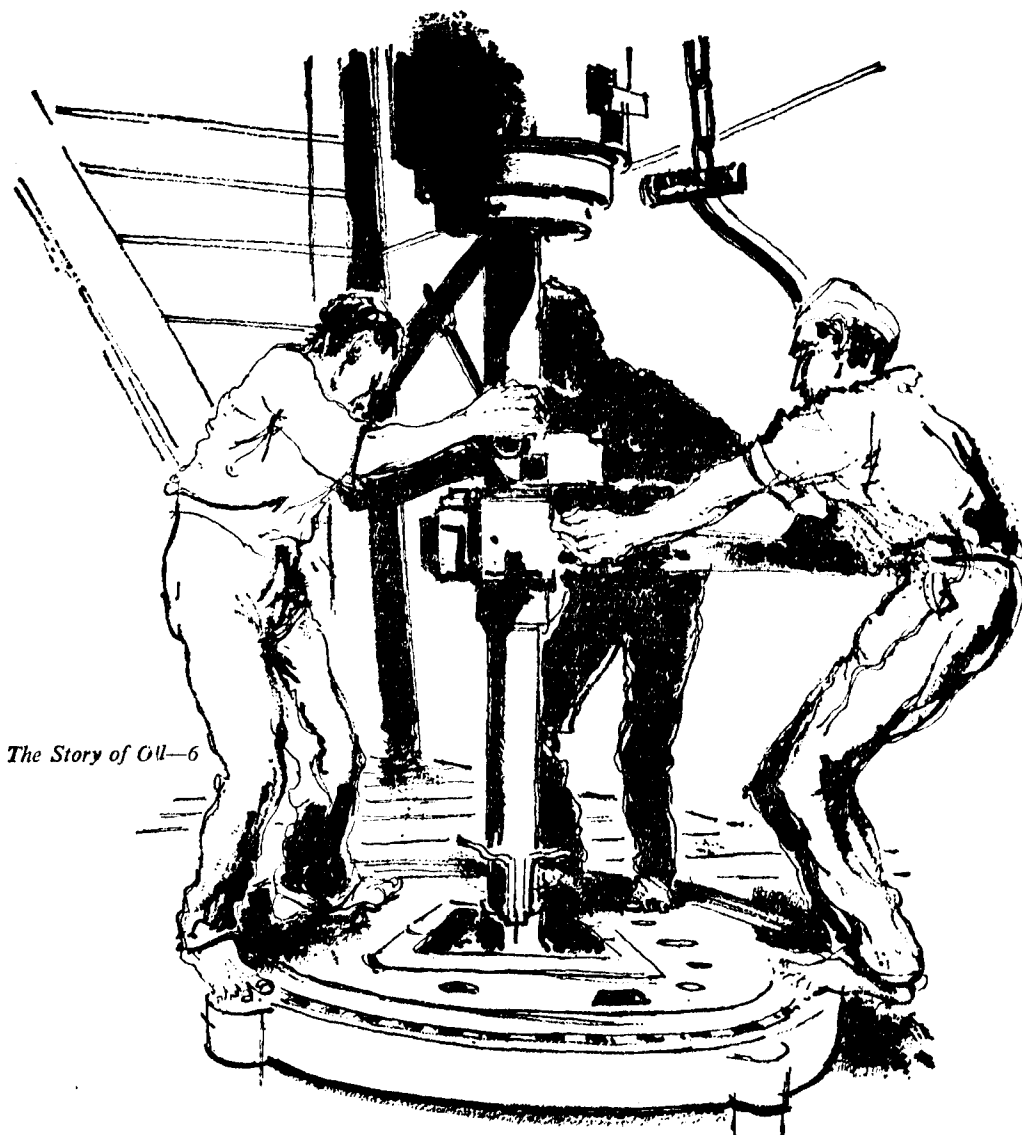
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Drilling a test well is a tremendous undertaking in itself, involving great quantities of machinery, equipment and supplies. A typical well (10,000 or more feet deep) would probably

need: a complete drilling rig, weighing about 200 tons, 15,000 to 17,000 feet of drill pipe, 14,000 to 16,000 feet of steel casing, 60 to 100 drilling bits, 500 to 1,000 tons of drilling-mud chemicals, 2,000 to 5,000 sacks of cement, 48,000 barrels of water, and 3,000 barrels of fuel oil. In addition, at least 125 skilled personnel comprising drillers, drilling crew, geologists, engineers, cementers, electricians and other technicians would be required for drilling the well.

It can take as long as a year to drill a deep test, and the result may be that the well strikes water, not oil; or it finds only a little oil, or even turns out to be dry. Then the mass of machinery and equipment is moved to another location and drilling begins all over again.



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THE WEEK'S NOTES

THE MIDDLE EAST IMBROGLIO

CONTRARY TO expectations, the formation of the United Arab Republic has made the confusion in the Middle East worse confounded. Instead of ushering in the promised era of unity and harmony among the Arabs, the new Republic has only further divided them. The Kings of Iraq and Jordan have decided to merge their kingdoms into what will be known as the United Federation of Arab States to counteract the growing power of President Nasser. The same fear of "expansionist" Egypt seems to have prompted the King of Morocco to suggest to the Tunisian President the formation of a federal union in North Africa. Superficially, the voluntary merger of the kingdom of Yemen with the United Arab Republic may suggest a trend away from instability and confusion. But the merger is really no more than a marriage of convenience. In addition to the diametrically different political structures, of the United Arab Republic and Yemen, a vast land mass separates the tiny Red Sea Kingdom from both Syria and Egypt. It is apparent that the driving force behind Yemen's move is by no means the same as brought about the merger of Syria and Egypt. Only antipathy to Britain because of the Aden Protectorate seems to have been decisive with Yemen.

This division among the Arabs, discernible only in diplomatic moves and counter-moves, has now come to the surface for all to see. Colonel Serraj, the United Arab Republic's Regional Minister for Interior in Syria, has publicly accused the King of Saudi Arabia of plotting (with America's knowledge) to assassinate President Nasser and stage a 'coup d'etat' in Syria. President Bourguiba of Tunisia, by a remarkable coincidence, called upon Egypt the same day to provide a "satisfactory explanation" for an Egypt-based plot against his own life and threatened, in the event of no such explanation forthcoming, severance of diplomatic relations with Cairo. Irrespective of the truth, the very fact that such accusations have been made in public shows the deepening division among the various Arab States. Only the King of Saudi Arabia has, so far, struck an attitude of neutrality in spite of Colonel Serraj's accusations against him. But how long he will retain that attitude is anybody's guess.

If the chances of Arab unity at the present have reached, the future too seems to hold no cheering prospect. From what one has seen of President Nasser's politics, one can be pretty sure that the United Arab Republic will not hesitate to exploit to its advantage the anti-Israeli sentiment of the Arabs, especially that of the displaced Palestine Arabs who are now living in Jordan. Most of leaders of the United Arab Republic are from the army; and army men are generally adventurers. But that may also lead to a clash with the United Federation of Arab States.

THE STATE OF THE PARTIES

AN ANALYSIS by the Election Commission of the results of the polls after the last general election provides an insight into the state of India's political parties. Only four—Congress, Praja-Socialist, Communist and Jan Sangh—obtained more than 3 per cent of the total votes polled and thus remained "national parties". The other contestants, the All-India Socialist Party, the All-India Scheduled Caste Federation and the Akhil Bharat Hindu Mahasabha, failed to secure the minimum percentage necessary for such recognition. The results of the polls show how presumptuous their titles are—and how ridiculous their claims. They also point out to gradual a polarization of forces which may well, in the long run, eliminate the splinter parties. The Election

Commission has, therefore, wisely decided not to take account of the votes polled by candidates who have forfeited their deposits. In the States, however, the trend seems to be in favour of a multiplicity of parties. The Election Commission has granted recognition as 'State Parties' to seven new ones, including the Mahagujarat Janata Party of Bombay, the Indian Union Muslim League in Kerala, the Dravida Munetra Kazhagam in Madras and the All-India Socialist Party in Uttar Pradesh and Manipur. It may be argued that the impact they have made on the last general election is due primarily to their exploitation of transient, regional problems and local sentiments.

An interesting fact that emerges from the analysis of voting is that though the Congress polled more votes than all the four recognized parties taken together, it did not obtain an absolute majority of the total vote cast. What thus seemingly put the Congress in power is the irreconcilability of its opponents. It would not, however, be correct to interpret the election statistics as indicative of a swing away from the Congress. This may have happened in some regions and States. But, by and large, the country does not seem to have lost faith in the party in power. On the other hand, the Election Commission's statistics show that more people cast their votes for the Congress in the last general election than in 1952.

The two leading opposition parties, the Praja-Socialist and the Communist, are almost on a par, the former has a slightly bigger following than the latter. The over-all picture of the general election is, however, uncomfortable for the Praja-Socialist Party: though statistically it is the second biggest political party in the country, its constituents—the Socialist Party and the Kisan Muzdoor Praja Party—polled more votes in the earlier election than the composite party has this time. Moreover, the adoption of a socialist creed by the Congress is likely in the long run to hit it harder than the Communist Party. This is supported by the fact that the Communist Party polled 8.42 per cent as against its previous showing of 3.3 per cent. Besides, it has come to power in Kerala, won seats in every State legislature and a majority of seats in the industrial areas of the country. But its chief weakness lies in the rural areas where its influence seems to be nominal, save in certain selected pockets. And unless a political party succeeds in winning the confidence of the peasantry it cannot hope to replace Congress at the Centre.

UNIVERSITY EDUCATION IN INDIA

THE FIRST report of the University Grants Commission is a comprehensive survey of the broad problems in the field of higher education. One of these problems concerns the sharp increase in the number of students seeking admission to colleges and universities. The rate of annual increase now stands at about 50,000. Some idea of this phenomenon can be had from the progress of higher education during the last ten years. The number of those entering university has gone up from 250,000 to 750,000. It is true that the number of universities has also jumped from a meagre 18 to 33 and quite a few are on the way. There has also been growth in the number of colleges from 532 in 1946-47 to 746 at the end of 1956. But even the growth of "university population" has far outstripped accommodation. "This," says the Commission's Report, "has resulted in overcrowding in many of the colleges, especially in the large cities, and created an unsatisfactory situation with regard to closer contacts between teachers and students."

The Commission has, in this connection, observed that it might not be possible, or even desirable, to

attempt to stop the phenomenal increase completely. The increase in the population of the country and the expansion of the school education will surely be reflected in the number seeking admission to colleges. Yet the provision for more colleges only partially solves the problem, since the other problem of raising the general standard of University education still remains. As things are, a fairly substantial population ought not to have been in universities. What is needed is a series of integrated steps to improve the standard and among these is the desirability to sever the unhealthy relationship between degrees and jobs. The restriction of the student body only to those whose admission is based on merit would also contribute towards invigorating University education. In addition, secondary education will have to be diversified and improved to relieve indirectly much of the strain on the colleges and universities.

Even more important than this is the improvement of teacher's salaries. Due to starvation-salaries and poor service-condition the teaching profession has practically ceased to attract best men and women; and those already in the profession feel disheartened. The Commission has, therefore, fervently pleaded for raising the initial salary and the scales of pay for all classes of teachers, especially for college lecturers. In fact, it has even prepared model scales. The Commission has also offered to bear fully the increased cost of upgrading in the case of the four "Central" Universities (Delhi, Aligarh, Banaras and Visva Bharati); in the case of the "State" universities it will bear 80 per cent of the increased cost, the other 20 per cent being paid by the State Government or the university concerned. Strangely enough, so far only 14 "State" universities have accepted this scheme. The State Governments seem chary of offering aid to universities, act in a dilatory fashion and are unwilling to accept the sharing of expenses suggested by the University Grants Commission. At the same time, they are persistently pressing for setting up of new universities, generally without prior consultations with the Commission. The reason for this paradoxical behaviour of the State Governments is not infrequently political. The Commission has, therefore, rightly stressed the necessity to check "the fast and unplanned multiplication of Universities." We hope the Commission will be strict — even stern — and refuse to divert its funds to new universities established without or against its advice. Consolidation and not expansion of university education is all the more necessary. The country has after all extremely limited resources at this stage of her economic development.

HALF A CENTURY OF STEEL

EVERY ONE in the country will concur with the Prime Minister's tribute to the late Mr. Jamsetji Tata as "the great pioneer who realized that freedom without economic power is a delusion". It was Mr. Tata who had been farsighted enough to realize some 70 years ago that in an industrialized world it would be impossible to support and defend political freedom without adequate economic development. He knew then, what we know now: that the foundations of industrial power are made of steel. He was not deterred by the difficulties. The British rulers were naturally unsympathetic to India's industrialization, Indian capital itself was shy, and Indian labour unskilled. Veritably a modern Ulysses, Mr. Jamsetji Tata, went to England to raise capital in the London Money Market. When he found that money market lukewarm to his proposal, Mr. Tata came back to India and raised the entire capital of Rs. 2 crores in the country — from 8,000 Indians — in about three weeks in 1904.

Four years later, the first stake was driven in at Sakchi, a tiny, sleepy village about 150 miles west of Calcutta. In 1911, the mill started producing pig iron, with an initial capacity of one lakh tons a year. Since

then the Tata Iron and Steel Company has passed through many phases — and vicissitudes. While during World War I, it over-expanded and began producing half a million tons of steel, in the inter-war years, it had, consequently, to face the cut-throat competition of international steel cartels. At one stage it even looked as if the Company would have to wind. However, through the good offices of the late Mr. F. E. Dinshaw vitally required marginal resources were obtained from the erstwhile Gwalior State. Some time later protection was granted to the iron and steel industry through the efforts of the Congress, under the personal influence of Pandit Motilal Nehru. By 1934, the Company had, however, turned the corner. World War II gave the much needed respite, but it did not result in installation of new machinery despite unprecedented expansion of output. The plant was, for military reasons, over-driven. When the challenge of World War II had been successfully met, the requirements of free India's Plans demanded a yet further, colossal, increase of capacity. To meet it, the Tatas decided to increase the production to two million tons. That programme, when completed at the end of the year, will have doubled its capacity. With such an achievement to his credit, it would not be wrong to describe the late Mr. Jamsetji Tata as the father of Indian Industry, even as the late Mr. Dadabhai Naoroji was the father of Indian nationalism.

A WELCOME PROPOSAL

NEARLY FOUR decades have passed since oil first began to be refined on Indian soil at Digboi in Assam. The pioneer in this case was the Assam Oil Company, which has been processing local crude oil and today provides some 8 per cent of the country's total oil requirements. Over the last few years, three new refineries of the most modern type have sprung up in collaboration with British and American oil interests and are already on stream. Set up on coasts, the new refineries are running on imported crude oil. Now that crude oil is expected in considerable quantities within the country from the newly found Naharkatiya fields it was only right to decide on setting up another refinery in that area. The sharp controversy that arose on the issue of the location of the refinery in Assam or West Bengal was settled only by deciding on having two refineries, one each in the two States. How far this decision was based on political considerations it is not useful now to discuss.

What is important is that of the two proposed refineries, the smaller one in Assam, is in the prospect of being installed with Rumanian collaboration. Negotiations about this have been going on for a couple of weeks. These were further strengthened at high level by the arrival of the Rumanian Prime Minister in India who also participated in the discussions. According to first reports, the arrangement is expected to be a package deal. Rumania may supply equipment and technical know-how for the refinery on long-term credit. With its wide experience in oil, of which it is a considerable producer in the Communist world, Rumania should prove to be a useful collaborator. It is to be hoped that the negotiations will soon come to a successful conclusion and initial work will start.

TRAINING IN INLAND FISHERIES

A TEN-MONTH training course in inland fisheries and fisheries administration, to be conducted by the Government of India at the Central Inland Fisheries Research Station, Calcutta, will commence on April 1. The course will provide training for nominees of State Governments. In addition, a limited number of private candidates, who are below 30 years of age and are graduates in zoology, will be selected for training. Further particulars can be obtained from the Ministry of Food and Agriculture, New Delhi. The last date for receipt of applications is March 25.

A Window on the World

1867 AND ALL THAT — ! CUT-THROAT COMPETITION

By

ODYSSEUS

ELDER SOCIALIST STATESMEN in many countries constantly exhort those who uphold free enterprise to remember that the nineteenth century is past, that "in a country like India, where we want to advance rapidly, we cannot leave things to chance," that free enterprise is out of date because it relies on cut-throat competition, and that in a country like India, cut-throat competition at the cost of the survival of millions "cannot be tolerated. Individual freedom cannot be preserved at the cost of misery and poverty".

The mere catalogue of these criticisms makes clear, how long it must be since these elder statesmen have had any leisure to ascertain the state of economic knowledge in 1958, because all these criticisms are among those first advanced by Karl Marx (1818-1883) in "Das Kapital," published in 1867. Marx rendered a service by insisting that the mass of the workers have as good a right as anyone to decent treatment, but experience has disproved every one of his criticisms of nineteenth century economic theory and shown them to be based on inaccurate data or imperfect understanding. In any case, we are not, as our elder statesmen so rightly insist, living in the nineteenth century and we in our turn may reasonably ask that any exhortations and criticisms addressed to us should be based on contemporary experience and theory, not on doctrines culled from a 91-year-old text book.

No single man has contributed more to create misery for the masses than Karl Marx by the implication of his doctrine that an increase in the welfare of the masses is incompatible with maintenance of individual freedom and that, in any choice between the two, the sacrifice of individual freedom constitutes in some (unexplained) way a contribution to the victory of the proletariat. This doctrine has prevented the emergence of individual freedom in the U.S.S.R. and China, has suppressed it in those parts of Europe now behind the Iron Curtain, and is undermining it every day in the democratic Socialist or welfare states.

Marx was right in saying that the political liberties of which the democratic nineteenth century was so proud meant little to a sweated worker, barely keeping alive on a few shillings a week. But where so many Socialist elder statesmen, of Asia and Europe alike, show how out of touch they are with contemporary economics is that they are obviously unaware that anyone has thought about this problem since Marx.

The thinkers who came after Marx have recognised that what the individual has suffered from, and needs protection from, are concentrations of arbitrary power in the hands of a few men. By the first half of the 19th century, the problem of protecting the individual from concentrations of political power — of arbitrary arrest and imprisonment, etc. — had been largely solved by acts ranging from Magna Carta, through Habeas Corpus, to the Parliamentary Reform Act of 1832 and those which followed it. But the Industrial Revolution created new problems by the concentration of economic power in the hands of employers, financiers, banks, etc. These problems have been continuously tackled, and gradually solved, by such means as Factory Acts, the creation of Trades Unions with a legal right to bargain and to strike, and all the varied legislation of the Company Acts to protect the public from fraud and exploitation.

Political and economic freedom were thus consolidated, but a new threat to the individual freedom of the masses seemed to emerge in the mass unemployment of the inter-war years. The simultaneous existence of (a) millions of unemployed throughout Europe and America, (b) the alleged success of applied Socialism in the U.S.S.R. and (c) the inability of free enterprise economists to produce a solution at once, like a conjuror's rabbit out of a hat, gave tremendous prestige to the proponents of Socialism. The idea that capitalism had failed seized the imagination of men of goodwill throughout the world, and there were many outside Italy and Germany who approved of the dictatorships of Mussolini and Hitler because they had come to believe that security and freedom were incompatible and that it was better to be secure — to be guaranteed full employment — than to be guaranteed against loss of freedom of speech and political rights, which seemed remote privileges to the mass of ordinary people. The six years of the World War II conditioned the masses throughout Europe to accept State intervention in their lives, so that with the return of peace, Socialist ideas seemed firmly established as ultimate truths.

The great advantage that the Socialists had in persuading men to follow them was that nobody had had any experience of Socialism in office. But today we have accumulated vast experience of the actual working of Socialism, and we can assess the evidence.

THE PROBLEM OF POWER

One of the greatest of contemporary thinkers was the German economist, the late Walter Eucken, who died in 1950, whose economic philosophy of *Soziale Marktwirtschaft* (translatable as "Free Enterprise alive to its social responsibilities" or "Responsible Free Enterprise" for short) was applied by Adenauer and Erhard, the makers of post-1948 Germany. Commenting on the widespread belief that the masses today prefer security to freedom, Walter Eucken pointed out that although under Socialism one insecurity — unemployment — may have been tackled, the resulting concentration of power in the hands of government departments, central planning offices, or huge public corporations controlling nationalised industries like coal mining, or nationalised activities like broadcasting, creates new and wider insecurities.

Eucken cited the example of a pre-war German metal worker ordered by a central planning office to report at another town the next morning to work in a rolling mill. If he failed to report in time he was penalised, possibly even to forfeiting his ration card. Here in place of one insecurity — possible unemployment, mitigated by unemployment pay and the efforts of the national employment bureaux — he is deprived of freedom of movement, of freedom of contract, and of freedom to buy what he wants with the money that he earns, and thus faces a whole series of new insecurities. Or, in Eucken's words, the problem of power cannot be solved by further concentrations of power.

The problem of power is solved when the State ensures (1) a stable currency, and (2) genuine competition between individuals, firms, and industries. But, says the Socialist, competition is doomed by modern technology. Small firms are uneconomic. Mass production requires huge combines.

Last time I pointed out that modern communications have broken down the monopolistic markets of

isolated eighteenth century towns, so that with today's international division of labour, small towns in the Punjab or Mysore, that the outer world has never heard of, receive goods from all over the world. Cycles, buses, and railways ensure that employers no longer enjoy a buyer's monopoly of labour.

Marx did not foresee that modern technology would create flexibility in production. Factories can today switch from one line to another to seize opportunities in changing markets. That the existence (a) of mass producers and (b) of so-called "cut-throat" competition does not eliminate the small man is demonstrated in the U.S.A., where some 4,000,000 small firms employing less than 100 persons each, do not merely survive but flourish, constituting 96 per cent of all U.S. firms. The same is true of the U.K., save that the nationalised industries have cut down the numbers of the small firms.

The conclusions drawn from examination of the facts by contemporary economists (as opposed to the 91-year-old speculations of Marx) are that modern technology proliferates ever wider and keener competition, which makes for efficiency, higher productivity, higher wages, and rising standards of living.

Cartelisation, nationalisation, and public ownership are defence mechanisms against competition.

"But we cannot afford competition," cry the elder Socialist statesmen of the World in swelling diapason. "It is wasteful and it leaves the development of the economy to chance. We need planners to create order out of chaos." These ideas originate in the yellowing pages of Marx's "Das Kapital". Contemporary economists point out that, in fact, the wider and keener the competition enforced in any economy, the more stable it is. They do not say that competition ensures absolute stability. This is unattainable in the real world and is undesirable, for it would imply a static economy. Growth always involves instability, as when diesel engines drive out coal-powered engines. But free competition minimises and shortens the repercussions of progress.

The more cartels, monopolies, restrictive practices, nationalised industries, and central planning, the greater the interference in the controlling power of

consumers' demand, the greater the liability to continual changes in government policies on currency, trade, wages, investment, and other factors affecting relations within the economy. In "mixed economies", constant liability to changes in government policy increases the uncertainty in the planning of individual firms which have to reckon with the risk that the basis of their calculations may be changed overnight. This profoundly affects the volume of investment. If you don't believe me, ask anyone on the Calcutta stock exchange.

"Aha!" says our elderly Socialist, "You admit that individual firms plan! Are they then above making mistakes? If they misjudge consumers' demand, they will throw men out of work. State planners, on the other hand, having access to the entire economic intelligence available to the state, can plan on the basis of the best possible data on a large scale."

To which I reply that the smaller in size that a problem is (a) the more likely are you to approach accuracy in solution and (b) the less the repercussions when you diverge from accuracy. America's 4,000,000 small firms are closer to their actual problems than any planning office dealing in hundreds of thousands of types of products, millions of men, and billions of units, and any divergences from a correct assessment of consumers' demand made by myriads of small businesses cancel each other out. The action of consumers' demand is felt daily and causes immediate modifications of plans, or the elimination of firms unable to make them. The central planner, on the other hand, is faced with tasks so vast, figures so astronomic, that his margin of error may in certain circumstances be catastrophic to the state. He is apt to ease his problems by making no attempt to meet consumers' demand — compare the consumers' goods available in a retail shop in Moscow and in New York — but by allocating what he calls priorities, which means that he decides what they may have, and how much shall be extracted from them in forced savings — by heavy taxation or low wages or, more often, by inflation.

(This is the second of a series of articles entitled "1967 AND ALL THAT!"—ED.)

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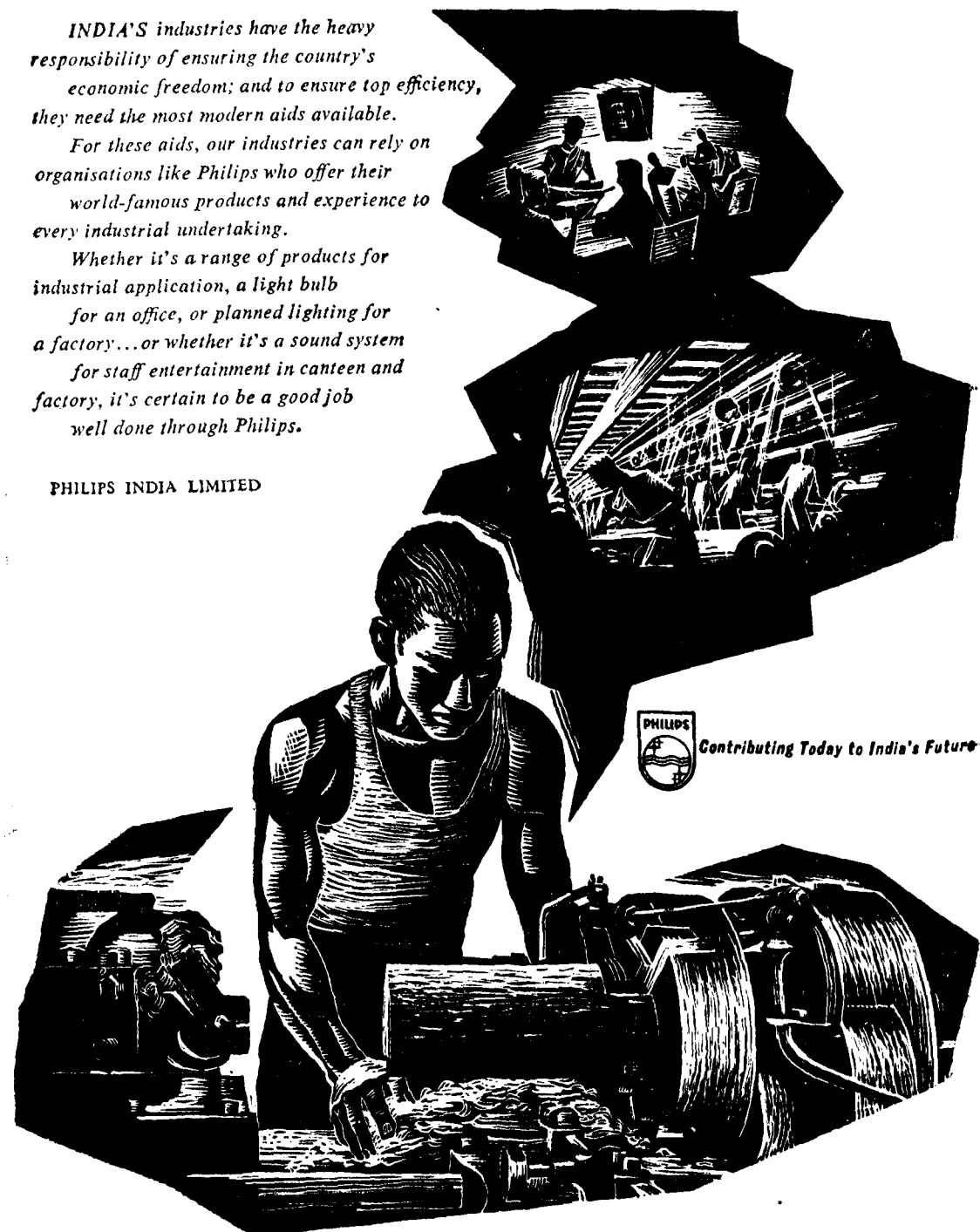
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THE END OF THE FREE TRADE ZONE

(From Our Special West European Correspondent)

PARIS, March 8.

THE British plan for a free trade zone that was to be attached to the Common Market is now dead and buried. The EOEC committee that was set up to study it is still in existence (and is to have a meeting in Paris next week in fact), but the counter-proposals now placed before it bear no resemblance to the original British scheme. In the principal of these counter-proposals, that designed by the French Government, the very name "free trade zone" is abandoned for the grander but vaguer label "European Economic Co-operation Union." The dropping of terms such as "zone" or "area" is important because the main question now is whether Euromarket is going to have relations with its immediate neighbours sufficiently uniform and multilateral to justify calling the group Euromarket-and-its-neighbours a zone. This seems obscure, but can be clarified by contrasting the German and French answers to Britain's free trade zone scheme.

The six countries that signed the Rome treaties will form, as the Common Market comes into existence, an increasingly homogeneous group, Euromarket. Each of the six cannot go on having the same commercial relations as it now has with outsiders, say with Switzerland or Britain. West European trade is going to be revolutionised, and Belgium-as-a-member-of-Euromarket cannot continue to have the same relations with Switzerland as she had when she was not a member of Euromarket. So all the six have to find some joint, new connection with outsiders. Now if the six jointly, that is Euromarket, conclude bilateral agreements first with Switzerland, then with Britain, then with each of the Scandinavian countries — then there will be no zone or area, but just a series of individual treaties of association. This is so because each of these bilateral agreements between Euromarket and each of its neighbours could have very different terms and conditions. Only if these bilateral pacts were standardised could there arise a homogeneous zone around Euromarket, and of course the only likely way to ensure that they are standardised is for Euromarket to negotiate jointly with all its West European neighbours en bloc.

This is why Britain sought to get her plan adopted within the EOEC (European Organisation for Economic Co-operation) which groups the six of Euromarket with their eleven neighbours. Essentially the negotiation was between the six and the eleven, and it was aimed at building a 12-member zone: Euromarket counting as one member, plus the eleven others. This plan has now been ruined, partly because of British and Swiss unwillingness to make the minimum concessions necessary to build a zone of any sort, and partly because of French industry's unwillingness to assume any more risks in addition to the risks of the Common Market.

The West German answer to this situation is that Euromarket should negotiate separate treaties of association with each of its neighbours, but that this should be a stage toward the establishment of a true zone, which would come into existence as these individual bilateral treaties were standardised at some later date. Thus, the principle of the zone is sacrificed and West Europe is economically divided, but a promise is given that something will be done to remedy this later.

The French reply, on the other hand, seeks to preserve the principle of multilateral negotiation right

from the start — at least in appearance. This is the long-awaited French reply to London's shipwrecked free trade zone plan. The Paris Government was under a moral obligation to put up some such proposal because last October it accepted the principle of a uniform zone around Euromarket and yet it was French resistance that led to the rejection of the British scheme. This counter-proposal has been discussed by the French with each of their Euromarket partners in turn, and will be put before Euromarket as a unit at a meeting in Brussels soon. Paris hopes that it will thus be adopted as Euromarket's own joint scheme, and it will thereafter be laid before the eleven other members of the EOEC. The reactions of France's partners have so far been very discreet, but already London has let it be known that the French plan is quite unacceptable.

Briefly, the French scheme is that Euromarket should indeed negotiate multilaterally with all its neighbours en bloc, but that there should be a separate series of agreements for each industry or economic sector. Thus the principle of the zone or area is preserved, but the upshot would be a multiplicity of zones: one for steel and coal, one for agriculture, one for chemicals, one for motor-cars, etc. To save these numerous zones falling apart into a congeries of widely various units, there would be a sort of general pattern of framework law governing all sectors. The governments represented in EOEC would lay down this law or pattern. Each industry would have to negotiate along the same general lines, beginning with the raising of import quotas, passing on to the reduction of customs duties, then to the control of origin of various products so as to avoid smuggling from outside the zone, then to the rules of competition, then to relations with similar industries abroad, and so on.

The first requirement, on this scheme, would be a general agreement between the 17 governments on fundamental aims: the widening of the area of free competition for each industry, with rules to ensure that this competition was "fair". This supervisory role would be entrusted not to a new set of institutions but to the EOEC itself. But once this general framework was laid down, the negotiation in each sector would be handed over in practice to the industries themselves. In two domains, a stronger dose of government control would be retained: for coal and steel and for agriculture. The upshot of this scheme (supposing it worked) would be a complicated network of separate agreements, but within any one industry or economic sector the multilateral principle would be retained. For chemicals or for motor-cars there would be three trading areas: at the centre the Common Market within which trade was free, and outside that a West European zone where trade was slightly less free, and outside that trade with the rest of the world — but for chemicals the extent and nature of this "freedom" could be quite different in the outer two zones from the conditions in which the automobile industry would work.

Now, it should already be clear that this is a characteristically French proposal. In fact, it constitutes an attempt to transfer to the West European scale the malady that is rotting the French Fourth Republic. The disease of French democracy today is the surrender of a weak and discredited executive power to a series of lobbies and special interests. At one moment the French Government (whose main feature is that it does not govern, cabinets being so constituted as to ensure

that they cannot do so) is surrendering to the semi-feudal interests in Algiers, at the next to an insubordinate section of its army, then to the wine-producers, then to a group of labour unions. The inability of the so-called government to enforce its will over these special interests is then disguised in a "framework law", which represents the minimum on which a divided Assembly can be brought to agree, and then within this framework law (which of course is no true law at all) the field is left free for special interests to have their way. The French counter-proposal to Britain's free trade zone would reproduce this disastrous situation on a Continental scale.

For it is obvious that as long as it is the relations between whole national economies that is being discussed, only governments can decide. But once the question is carved up into sections, each section being one industry, then the lobbies come into their own. It will not be the French and British Governments that decide under what conditions their respective chemical industries compete, but those industries themselves. And in reality they would never agree. In each sector there would be a confrontation between the representatives of 17 competing industries, and the strongest would be demanding a reduction of customs duties while the weakest would want to stand pat. The liberation of trade can only be obtained on a global basis, because then a government can say to itself "what we lose in chemicals we make up in machine tools"; but within any one industry, a loss is a loss with no countervailing advantages.

It has been suggested from London that the whole idea of the French scheme is to make sure agreement

remains forever impossible. That would be a very likely consequence, but it was not the conscious aim. The French scheme is rather an exact reflection of internal conditions in French politics. The administration last year agreed in general to adhere to some sort of free trade zone, but at once there was a long series of protests from one industry after another. Suffering from paralysis in this as in every other domain, the French Government was not able to bring together all these dissatisfied parties and achieve (or enforce) some balance of interests. Rather, it threw up its hands in helplessness and said "Very well, we won't devise a free trade zone, we'll leave to each of you to work out your own". That is, it capitulated to the lobbies. The governments in EOEZ will content themselves with laying down a "framework law", which will no doubt remain platonic, and leave the real business of negotiation to a string of special interests.

The acceptance of this proposal by the other 16 nations of EOEZ is dubious, and if they did accept it, it is even more dubious whether any workable scheme would ever emerge, at least for more than a few sectors of industry. At all events it is clear that nothing will be finalised by January 1, 1959, the date at which Euromarket begins to work, because there simply is not enough time left and because the French are suggesting the most tedious and time-consuming method of negotiation. Thus French procrastination has won its main victory: Euromarket and the free trade zone (or its substitute) will not run parallel. In each industry, the six nations will make their own arrangements before they consider how this should fit in with the rest of West Europe's economy. This is precisely what the British wanted to avoid.

FREIGHT RATES AND SLUMP DANGERS

(From Our Special West European Correspondent)

AMONG the supposed signs of the coming recession, the catastrophic fall in tramp shipping freights is certainly the most spectacular. The index of voyage charter rates fell from 173.5 in January 1957 to 80 in October and has since declined further (1952=100). But it would be hasty to argue from this to a sizeable fall in world trade; and no less hasty to conclude that such contraction in the volume of trade as has occurred has been of a cyclical nature, i.e. is the sign of a depression and not just passing conditions. Since the bulk of the world's shipping traffic touches at West European ports (and is controlled from European capitals) a review of the situation in European ports and shipyards will indicate how far this sharp slump in shipping is the shadow of a coming depression.

World trade in the first three quarters of last year was running at a level well above 1956. So ports that closed their accounting year before September all report records in the volume of traffic handled; thus London showed further progress in the financial year ended last March. But in the last quarter of the year there was a fall in the rate of increase of world sea trade. Thus Rotterdam, after achieving a new record for goods handled in the first nine months of the year, reports "signs of low tide" at the close. Genoa handled 16 per cent more cargo in 1957 than in the previous year, but this was in spite of lower relative figures in November and December. Hamburg lost one million tons of cargo on the year. Antwerp had been setting new records every month in 1957, until the last quarter when the volume of cargo fell below previous bests. Marseilles shows a fall of 7 per cent for the year (despite the stimulus the port gets from the Algerian war.)

The volume of tonnage laid up in West European

ports had also risen by the end of the year. Norway has about half a million tons laid up, while British tonnage laid up rose from 45,000 tons in October 1956 to 412,000 tons in December 1957. To these figures must be added the volume of shipping in dock in the European ports for repairs; in British ports this rose from 400,000 tons to 630,000 tons in the same period. Similar increases are reported from all West European dockyards. The rise in tonnage in dock for repairs is not a sign of good business, because owners naturally postpone overhauls and repairs as far as possible until trade falls off.

These signs of recession have not yet hit the European shipbuilding yards. Last year saw a total of 8.5 million tons of new shipping launched (all shipyards outside Russia and China), which was an increase of 1.83 million tons over 1956 and represented the highest figure reached since the war. Though Japan was the biggest builder (2.43 million tons), West European yards were very active too: 1.4 million tons in Britain and 1.2 million in West Germany (despite the long strike in the German yards). Order books are still very long but all around the European seaboard there are reports of symptomatic cancellations; these are mostly just renunciations of preferential options for months or years ahead, but in a business that necessarily always looks well ahead they are signs of reserve about the future.

In sum then, we can say that world trade did not diminish in 1957 but that it stopped increasing. There are still no firm signs that it will actually contract but the flattening out of the long period of expansion was enough to put a stop to speculative accumulation of shipping tonnage. To the extent that demand for

shipping space eased off this winter, there are a number of good reasons for this that have nothing to do with dangers of depression. Firstly the winter has been very mild and so West Europe (which is deficit in energy) has imported less fuel. British imports of US coal have fallen notably. Secondly, political factors determined the USA to import less oil from the Middle East. Thirdly, two good cereal crops in succession in Europe, and increased production of animal foodstuffs, have diminished the need for food imports. Lastly, the consumption of stocks of raw materials and other goods, accumulated during the Suez crisis and during the currency speculation that preceded several West European devaluations, has caused a lower level of imports. But in addition to these factors, there have been forces at work that do fit in with the picture of incipient recession. Restrictions on imports in some West European countries have restrained trade, and the sharp fall in some raw material prices (wool, rubber, metals and cereals) have cut the revenues of overseas countries, who are in turn curbing their imports from the industrialised West.

But when all these facts are added together they do not explain the extent of the fall in tramp freights. The shipping slump cannot be accounted for from the demand side. We have to look to the supply side, and especially to the structure of that supply, the nature of present world maritime fleets. Voyage freight rates are of course the marginal sector of the shipping business: conference rates and time charters are protected by contracts and change much more slowly, which means that the vulnerable prices must change much more quickly. This is true of any slump in the shipping business. But at the present day these are changes occurring in the nature of world fleets that are making tramp shipping even more vulnerable than it has been in the past. These changes concern the increased specialisation of shipping tonnage in the transport of oil, coal and minerals. The modern specialised carriers are getting longer and firmer contracts, so the old vessels, and ships that rely on voyage charters (usually they are the same), have been severely hit and would have been even if no important change had occurred in the volume of world trade. In other words, the spectacular collapse of tramp freights, quite apart from any general economic significance, is first and foremost a healthy warning to the shipping business of the need for rationalisation: the withdrawal of old ships and the construction of modern vessels better suited to the volume any rhythm of present world trade.

This rationalisation would have proceeded more smoothly had not a sequence of political crises, from Korea to Suez, encouraged the speculative retention of old tonnage in service. This, combined with the record activity of shipyards referred to above, has resulted in a net excess of shipping tonnage. True, production of other goods has increased more rapidly since the war than the availability of shipping tonnage: world output has risen by 64 per cent since 1946 while world shipping fleets have increased by only 31 per cent. But production is not trade, least of all in the semi-autarchic economies of Asia and the Communist world.

Moreover, there has occurred a vast increase in productivity in shipping transport. The new ships are bigger and faster and have better equipment on board for the loading and unloading of cargoes; and they are increasingly specialised. Ports have increased their productivity too, by means of better facilities, more rational organisation and prolonged labour harmony. The result has been a much faster turn-round of shipping, especially in Europe. Naturally, the marginal part of the business—the bottoms whose prices enter into the tramp freight index—have felt the full blast of these changes.

Another cause of keener competition in shipping is the extraordinary increase in tonnage afloat under

"pavillons de complaisance", i.e. the registration of vessels in such countries as Liberia, Panama, Costa Rica and Honduras. This tonnage is now 16 times what it was in 1939, and Liberia has become the world's third maritime power! Obviously the shipowners who resort to these bogus registrations do so because it offers them worthwhile economic advantages, and thus their competition has a tendency to depress freights, a tendency that shows up to the full in a period like the present when the expansion of sea trade has ceased. In the old days these Liberian and similar fleets were the dregs of the world's shipping, liable to feel the first effects of a trade slump; but today the "pavillons de complaisance" are flown by some of the most modern and efficient vessels (many of them Greek-owned).

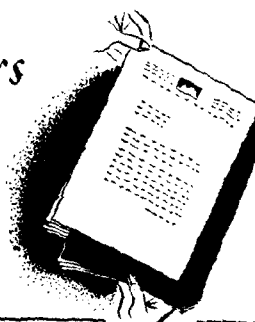
So there are special reasons for a fall in shipping freights, reasons which have little to do with general trade conditions. To date these falls are not serious, except for the marginal sector of the maritime fleets for whom it presages a welcome rationalisation of sea transport. But hidden under these special circumstances, it is still possible that there are signs of a trade recession and the further evolution of freight rates will be a good index of its progress.

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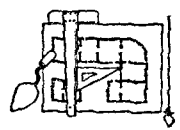
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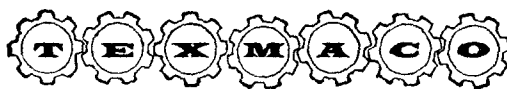
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WORLDGRAM

AGRICULTURE

Research on Mixed Crops: The Indian Council of Agricultural Research had undertaken a review of mixed cropping practices and would publish the results in due course, stated Shri A. P. Jain, Union Minister for Food and Agriculture, in a written reply to a question by Shri Nawab Singh Chauhan in the Rajya Sabha recently. Shri Jain added that this was likely to take about one year. The Minister further stated that scientific research on mixed cropping was taken up in this country only after 1941. A special officer was appointed by the ICAR to review the literature available on mixed cropping practices, and as a result an article was published in the "Indian Journal of Agricultural Science" in December 1949. The Council had also included mixed-cropping in the technical programmes of all schemes of research on pulses and oilseeds, and a considerable volume of information had been collected. At the Indian Agricultural Research Institute, experiments had been conducted on the association of crops, proportions, methods of sowing and the nitrogen content of the soil and grain. Work on this aspect of farming was also being done in the States. The Minister observed that no time-limit could be prescribed by which research work on mixed-cropping would be finished. By its very nature, this aspect of research would be a continuous process. The need for the appointment of experts, Shri Jain continued, would be considered after the review being prepared by the ICAR had been completed, and the lines on which work had to be done in future decided. The number of experts and the expenditure involved would also be known at that time.

Milk Consumption: The average yields of milk per year for a cow were 361 lbs. and buffalo 970 lbs. in India. Milk yields were arrived at during 1956-57 when a survey was carried out for the revision of the "Report on the Marketing of Ghee and Other Milk Products in India". The estimates for production of milk were based on the 1956 livestock census. The statement further showed that the estimated daily per capita consumption of milk (including milk products) in India was 4.77 ounces. This figure was based on the 1955 census.

Grow More Food Schemes: The grants sanctioned by the Government of India for G.M.F. schemes to various States and Union Territories in 1957-58 (up to February 28, 1958) amounted to Rs. 372.33 lakhs. Of this, Rs. 340.43 lakhs were for the States and Rs. 31.90 lakhs for Union Territories.

Fruit Production: It is reported the Government of India had taken a number of steps to raise production and export of fruits and fruit products. Among these was a scheme for development of fruit production, included in the second Five-Year Plan, with the object of increasing the area under new orchards by about 1,33,000 acres and rejuvenating old orchards to the extent of about 5 lakh acres. There was also a scheme for training of gardeners, which provided for a course of six months' duration. Grants were given to States on the basis of 50 per cent of the cost of training of 'malis' at Rs. 50 per month per trainee. Intensification of research on important fruits was also undertaken.

INDUSTRY

Manufacture of Foam Glass: Dr. M. M. Das, Deputy Minister of Education and Scientific Research, informed Shri S. C. Samanta and Shri Subodh Hasda in the Lok Sabha recently that a special variety of glass called Foam Glass had been evolved at the Central

Glass and Ceramic Research Institute, Calcutta. Referring to the commercial importance of the process, the Minister made the following statement: Foam Glass is a light-weight heat-insulating material which may find its application in building, air-conditioning and cold storage industries, as also for insulating hot and cold pipes, tanks, etc. India's requirements in respect of insulating materials of various types such as cork slabs, glass wool, expanded plastics, etc. are large and are mostly being met through imports. Imports of cork slabs alone during 1955-56 were valued at Rs. 48 lakhs. The present selling price for cork slabs is Rs. 14 to Rs. 15 per c. ft. whereas the cost of production of foam glass is estimated to be about Rs. 6 per c.ft. He further stated that the process had been patented in India only.

Glass Containers for Preserved Fruits. The Indian Standards Institution has circulated, for eliciting comments, a draft Indian standard specification for glass containers for preserved fruits industry. Glass containers of varying qualities, sizes and shapes are being manufactured in the country for the consumption of the preserved fruits industry. Differing opinions have often been expressed by the consumers and manufacturers about the performance of these glass containers. The Tariff Commissioner, while studying the question of protecting the preserved fruits industry, felt, among other things the need for standardization of the quality of glass for these containers and their sizes and shapes. The Glassware Sectional Committee of the Indian Standards Institution, which was entrusted with this work, after detailed investigation and study in collaboration with the Central Glass and Ceramic Research Institute, observed that the time was not yet opportune for laying down a specification of sizes and shapes for glass containers. The Committee has, therefore, decided to limit its work to the standardization of quality of glass only. It is expected that this standard will assure supply of suitable quality of glass containers for the consumption of the preserved fruits industry. Comments on the draft standard may be sent before March 12, 1958 to the Indian Standards Institution, 9, Mathura Road, New Delhi-1.

TRADE

Promoting Exports: In pursuance of their policy to promote exports, the Government of India have decided to allow a refund of Rs. 60 per ton on tinplate used in the manufacture of tinplate containers exported empty or full. This will apply to all types of containers made of tinplate such as of confectionery, fruit-products, hydraulic brake fluid, chemicals, paints, etc. The rebate came into force on February 28, 1958. Government have also enlarged the scope of the existing scheme of drawback on the export of dry radio batteries, to provide for drawback on all types of batteries and cells. Collectors of Customs at major ports will give details of the scheme.

Advisory Body for Export Insurance Corporation: The Government of India have set up a Central Advisory Council for the Export Risks Insurance Corporation to make available to the Corporation the benefit of advice of experienced persons connected with the export trade on matters of interest to the Corporation. The Corporation which was set up on July 30, 1957, provides production to exporters against risks arising in export trade, as a measure for stimulating the country's exports. Its principal function is to insure risks involved in the export of goods, on credit basis, which are not normally covered by commercial insurers. By the end of January this year the Corporation had sold nearly 50 policies of the value over Rs. 2 crores.

FINANCE

Payment of Loans to Foreign Countries. Shri B. R. Bhagat, Deputy Minister of Finance, laid a statement on the Table of the Lok Sabha recently showing the total amount of money that would fall due for payment by India to various foreign countries from 1960-61 to 1970-71 on account of repayment of loans and deferred payment arrangements.

The statement is as follows:

(Crores of rupees)				
Repayment on account of Deferred Payment Arrangements				
	Repayments of Loans	Public Sector	Private Sector	
1960-61	15.90	3.84	8.99	
1961-62	3.06	5.71	8.65	
1962-63	2.50	4.85	7.20	
1963-64	2.56	1.13	3.04	
1964-65	2.65	0.93	1.04	
1965-66	2.77	0.41	0.44	
1966-67	2.83	0.10	0.19	
1967-68	2.83	0.10	0.19	
1967-68	3.62	—	—	
1968-69	4.38	—	—	
1969-70	4.54	—	—	
1970-71	4.69	—	—	
TOTAL	49.50	16.97	29.55	

Note: (1) The amounts falling due for repayment of loans have been worked out in respect of loans or portions of loans actually received so far.

(2) Repayments falling due on account of deferred payment arrangements have been indicated on the assumption that the full amount arranged for with the approval of Government has been or will be utilised.

(3) The figures in the above statement are approximate.

Balance of Payments With U.S.S.R.: According to preliminary estimates, there was a current account deficit of Rs. 10.9 crores in India's balance of payments with the U.S.S.R. during April-September, 1957, the latest period for which information was available, said the Deputy Minister of Finance, Shri B. R. Bhagat, in the Lok Sabha recently. Replying to a question by Shri D. C. Sharma, he said that the current restrictions on imports as well as increased exports to the U.S.S.R. were expected to reduce the gap in payments. The bulk of imports on Government account were for the Bhilai Steel Project and were financed by the U.S.S.R. credit for this purpose. For other transactions, the Trade Agreement with the U.S.S.R. provided for payment in rupees by both parties.

Exemption of Cotton Goods From Sales Tax: Replying to a question by Shri Vajpayee, the Deputy Minister of Finance, Shri B. R. Bhagat, said in the Lok Sabha that the Finance Ministers' Conference in November, 1957, had decided to allow the States to tax sales of stocks of textile, sugar and tobacco and its products held by dealers on 13-12-1957, on which additional duties of excise under the Additional Duties of Excise (Goods of Special Importance) Act, 1957, would not have been levied. In view of this decision, the Union Government did not propose to exempt such stocks from sales tax levied in Delhi.

Low-Income Group Housing Grants: During December, 1957, the Ministry of Works, Housing and Supply sanctioned loans amounting to Rs. 14.25 lakhs to two States Governments and two Union Administrations under the Low-Income Group Housing Scheme. Of this amount, Rs. 7.50 lakhs were paid to the Madras Government, Rs. 4 lakhs to the Kerala Government, Rs. 2 lakhs and Rs. 0.75 lakhs were placed at the dis-

posal of the Manipur and Tripura administrations respectively. The total amount of loans sanctioned to various State Governments/Union Administrations since the inception of the scheme in November, 1954, up to December 31, 1957, is Rs. 19.06 crores.

Deferred Payments for Rourkela Steel Plant: During the visit of the Minister of Finance to the Federal Republic of Germany in October, 1957, to enlist the co-operation of the Federal Government and the German industrial and financial interests in the economic development of India, the Federal Government had expressed their willingness to help in regard to postponement of payments for the Rourkela Steel Plant as also their readiness to co-operate as far as possible in respect of projects included in India's second Five-Year Plan. Subsequent negotiations led to the signing of an agreement in Bonn on February 26, 1958, by the Indian Ambassador, Shri A. C. N. Nambiar, and the Federal Minister for Foreign Affairs, Doctor Von Brentano. This agreement enables the Indian Government, with the co-operation of German firms and banks concerned, to postpone payments for the Rourkela Steel Plant by three years upto a total amount of D.M. 660 million (Rs. 75 crores roundly). The two Governments hope that the assistance thus given will make it possible for India to proceed with the many projects included in the second Five-Year Plan to which special importance is attached.

GENERAL

Rural Electrification in States: In a written reply to a question by Shri Jhulan Sinha, Shri S. K. Patil, Minister of Irrigation and Power, stated in the Lok Sabha that under the programme of expansion of power facilities to increase employment opportunities, a sum of Rs. 409.78 lakhs was given to various State Governments as loan assistance during 1956-57, for financing rural electrification. He added that the total number of villages electrified during 1956-57 was estimated to be nearly 2,500. Of these, 12 were in the Union territories.

Workers' Participation in Management: A list of undertakings in the public sector where the scheme of labour participation in management is to be introduced was placed on the Table of Rajya Sabha recently by the Union Deputy Minister for Labour, Shri Abid Ali. The undertakings under the Central Government are: Argada Colliery, P.O. Argada, District Hazaribagh; Hindustan Machine Tools Factory, Bangalore; and Eastern Railway Printing Press, Calcutta. The undertakings under the State Governments are: State Transport, Madras; State Transport, Trivandrum; P.W.D. Workshop, Trivandrum; Government Ceramic Concerns, Kundra; State Transport Corporation, Bombay; Government Central Press, Bombay; Printing and Stationery, Chandigarh; Roadways, Madhya Bharat; and Electricity Corporation, West Bengal.

Holland Enters the Small Car-Market: After having assembled motor-cars of American, British and French origin during the last two decades or so, a Netherlands manufacturer has started the production of a wholly Dutch-designed small motor-car. Messrs. van Doorne of Eindhoven, who already were known for their production of highly specialised transport vehicles, a.o. military trucks for use on rough terrain, and who had built up a sizable export to many parts of the globe, have exhibited their "D.A.F.-car" on the Amsterdam motor-show. The new car attracted great public attention, which showed itself at once in large orders and an immediately increased production. It contains, of course, a lot of features, amongst which an automatic gearshift and an air-cooled engine; the price for the standard model is less than 4,000 Holland guilders or less than 5,000 rupees. The annual production is planned to reach 50,000 cars by 1960.

NEWS IN BRIEF

FOREIGN

In the seven months to January 31, 1958, the World Bank made 22 loans totalling the equivalent of \$404.6 million in 13 countries.

Personal savings in the UK have been rising at a faster rate during the last few years than they have in the US according to the latest Treasury Bulletin for industry.

The world's fresh production of silver during 1957 is estimated to have been approximately the same as that of 1956. There was, however, a considerable increase in the world use of silver for industrial purposes and coinage.

Chilean Copper production during January 1, to February 1, in metric tons was: chuquicamata; electrolytic 22,903; blister 14,522 Potrerillos; blister 5,583, El Teniente, fire refined, 10,469; blister 19,093; making 72,570 as against 78,832 tons in the identical period of 1957.

The Steel Company of Canada has opened a new \$25 million blooming mill. It is described as the largest and most modern in Canada. The new No. 2 mill will be able ultimately to handle up to 30-ton ingots and will be capable of rolling at least 2,300,000 ingot tons annually.

Ontario's 30 producing gold mines, by milling a slightly higher tonnage of the ore, produced in January 219,562 ounces of gold and 31,562 ounces of silver valued at \$7,462,598.

China plans to become the world's biggest tea producer by 1962, according to the 'New China' News Agency.

Germany had a deficit of \$24 million with the European payments Union in February, against surplus of \$800,000 in January. The German deficit for November to February totals \$83.6 million leaving Germany with a cumulative credit balance of \$987.4 million.

A sizeable cut in the amount allocated for subsidies is one of the main features of the Budget for 1958-59, presented to Parliament by the Norwegian Government.

It is reported the crisis in Burma's plans for industrial development has led to a decision by the Government on the promotion of rice, timber and other agricultural production.

It is reported that the Soviet Government has concluded an agreement with Canada's private grain trade for the purchase of \$4 million worth of malting barley.

Many leading US Companies have now completed plans for establishing subsidiaries, assembly plants or finishing plants, or expanding existing plants to take advantage of the prospects of expansion following the coming into effect of the Treaty of Rome.

INDIAN

A Committee has been set up in the Central Ministry of Food and Agriculture which, after visiting a number of States, will recommend for the consideration of State Governments details of a model agricultural organisation as well as measures for the delegation of powers to Agricultural Officers at State, district and block levels.

The Government of India have issued notifications implementing the decisions announced in the Budget for 1958-59 with regard to adjustments in excise duties on cotton textiles produced by powerlooms and reduction in the excise duty on vegetable products.

The total traffic of 11,979,00 tons handled by the Port of Bombay in 1956-57 constitutes a new record in the history of the port.

Seven more housing colonies for handloom weavers in Madras and Andhra Pradesh will be built under schemes approved by the Government of India.

The Government of India have appointed an Inter-State Transport Commission for the purpose of development, co-ordinating and regulating the operation of transport vehicles in respect of any area or route common to two or more States and performing such other functions as may be prescribed by the Union Government.

The Government of India are contemplating extension of the Employees' Provident Funds Act to workers in shops and Commercial establishments in all States.

The Government of India have decided to allow full drawback, instead of seven-eighths as hitherto, of customs duty paid on imported ammonium nitrate used in the manufacture of nitrous oxide for export.

Up to the end of December, 1957, the Rehabilitation Finance Administration sanctioned a total amount of Rs. 1225.59 lakhs to displaced persons.

The quantities of food grains requisitioned under the Essential Commodities (Amendment) Act, 1957, by or on behalf of the Government of India were approximately 1,06,000 and 16,000 tons of rice and gram respectively.

It is reported that a total amount of Rs. 1224.095 lakhs had been advanced to the State Governments under the Housing Scheme up to February 28, 1958, during the second Five-Year Plan.

The scheme of Health Survey in community project areas, which was included in the first Five-Year Plan, to assess the contribution of these projects towards the improvement of public health is being continued in the second Five-Year Plan, says the Annual Report of the Central Ministry of Health for the year 1957-58.

The Spirit of Adventure

"Tatas represent the spirit of adventure."

— Mahatma Gandhi

"Jamshedji Tata laid the foundations of heavy industry in India by starting Steel and Iron Works in what came to be known as, Jamshedpur... It had a precarious childhood but the war of 1914-18 came to help. Again it languished and was in danger... but nationalist pressure saved it."

— Jawaharlal Nehru
from *The Discovery of India*

"Be sure to lay wide streets planted with shady trees, every other of a quick growing variety. Be sure that there is plenty of space for lawns and gardens. Reserve large areas for football, hockey and parks. Earmark areas for Hindu temples, Mohammedan mosques and Christian churches."

— Jamsetji Tata to his son Dorabji,
in 1902, six years before work
started at Jamshedpur

"We are constantly accused by people... of wasting money on the Town at Jamshedpur. We are asked why it should be necessary to spend so much on housing, on sanitation and water-works, on roads... on hospitals and on welfare. People who ask these questions are sadly lacking in imagination. We are not putting up a row of workmen's huts at Jamshedpur; we are building a city..."

— R. D. Tata addressing Tata Steel
shareholders on October 25, 1923



Architects of India's steel industry :
(from L to R) Jamsetji Tata,
R. D. Tata, Ratan Tata
and Dorabji Tata

"So far we have but scratched the surface of this great land. Vast resources still remain unexploited and unused in the service of man. To think that hundreds of thousands of people should ever fall at the touch of famine, or die from disease aggravated by insufficient nourishment, while there is so much latent food and wealth in the country! ... Is it not time to stir ourselves, to wake up to the great opportunity and the stern duty before us, the task of India's industrial regeneration?"

— Dorabji Tata addressing Tata Steel
shareholders in 1918

"We are like men building a wall against the sea. It would be the height of folly on our part to give away any part of the cement that is required to make the wall secure for all time. That is why we and you have to use this money... to build up this great industry... And we should not think of dividends until we have done that..."

"... Make no mistake about this point. We hold this money in trust for you. But you yourselves hold it in trust for the Indian Nation..."

— R. D. Tata addressing Tata Steel
shareholders on June 4, 1925

The Indian Steel Industry
celebrates its 50th Anniversary
THE TATA IRON AND STEEL COMPANY LIMITED

A DELHI DIARY

I HAVE been engaged in a hectic race with Time, in which I am happy to report success at the winning post. It was greatly feared that the announcement of the Cabinet changes which had been in gestation (or is it incubation?) for a week might emerge only on Friday and thereby, since editorial grace is prohibited, appear only in next week's diary. By a happy concatenation of circumstances, the announcement was made at the very moment when, in some despair, I was seeking out some less palatable subjects to devour. Happily, all is changed and now I can start on my cheerful estimate of what the changes mean to India no less than to the important dignitaries who constantly play at political musical chairs.

NOT THIRTEEN

Dismal despond that I am, I can find no ground for good cheer. The Cabinet has, indeed, a new Minister in the form of Hafiz Mohammed Ibrahim, but I do not see in his advent any change of fundamental thinking in the Cabinet as a whole. There is, however, one good point to be recorded from the point of view of the superstitious. For almost two years, without knowing the terrible fact, we have had a Cabinet of thirteen. May it not be that all the evils that have befallen us on the economic front have been due to just this cause? Perhaps the reduction to twelve was in response to some planetary influences which have determined that there shall not be left a disastrous numeral to dog our footsteps for the remaining years of the Plan. One applauds the decision, therefore, to bring the figure down to twelve, both because it escapes the terrible 13, and because "the round dozen" always suggests a degree of completion which, somehow or other, other figures are without.

THE SUCCESSION ACT

Lest I should be considered to lack gallantry, may I applaud in the first instance Mrs. Tarakeswari Sinha, who becomes Deputy Minister for Economic Affairs. Now at least, family budget data will receive the attention they deserve. So indeed, I hope, will women. All seems well so far as this Ministry is concerned. As I see it, there has been arrayed for all to see a pattern of succession. In no other Ministry do I see a pattern of selection which is likely over many years to convince an objective observer that the Congress Party really has at long last a policy of preparing junior officers to take, under the ravages of Time, the burdens that fall from older shoulders bowed down by care. I predict (following a simple rule of three) that Mr. B. Gopala Reddy will be Finance Minister after Mr. Morarji Desai, and looking twenty years ahead (since there is a terrible superstition that a Minister of Finance must be over fifty in order to acquire adequate commercial and financial knowledge) that Mrs. Tarakeswari Sinha will be Finance Minister in 1977. This raises nice political doubts as to whether the Congress Party will be there at the time, whether Mrs. Sinha will still be in the Congress Party, or worse still, if Mrs. Sinha will be elected at the polls. Assuming, however, that all remains as in the best of all possible worlds, that is the course of history for India's difficult Ministry of Finance.

I choose in my spacious discretion to attach some considerable importance to Mr. S. K. Patil's taking charge of the Ministry of Transport and Communications. Dynamism is most appropriate in transport, and it is known that Mr. S. K. Patil has dynamism and a particular interest in Road Transport, having been associated with the Indian Roads Congress for many years. I expect now some cheerful conflicts between the Ministry of Railways and the Ministry of Transport adding zest, and, it may be, a little verbal polemics to the famous Rail-Road controversies which hitherto have not attracted anything like the major acrimonies which belong to them in all the most advanced countries of the world. The Ministry of Communications loses dynamism by the departure of Humayun Kabir who becomes more appropriately Minister for Scientific Research and Culture. This is a happy appointment, because there are few people in the country who have such a broad base of Culture—or is it Kultur?—as Humayun Kabir. A poet in two languages and a writer in three, it seems to me that he commands a wider vocabulary than almost anybody I know. I must not forget to add that he mixes philosophy gently with economics and can even mix the dismal science with painting and music. This is the rarest of the arts—it is called 'Social Economy'—not ever to be confused with Sociology.

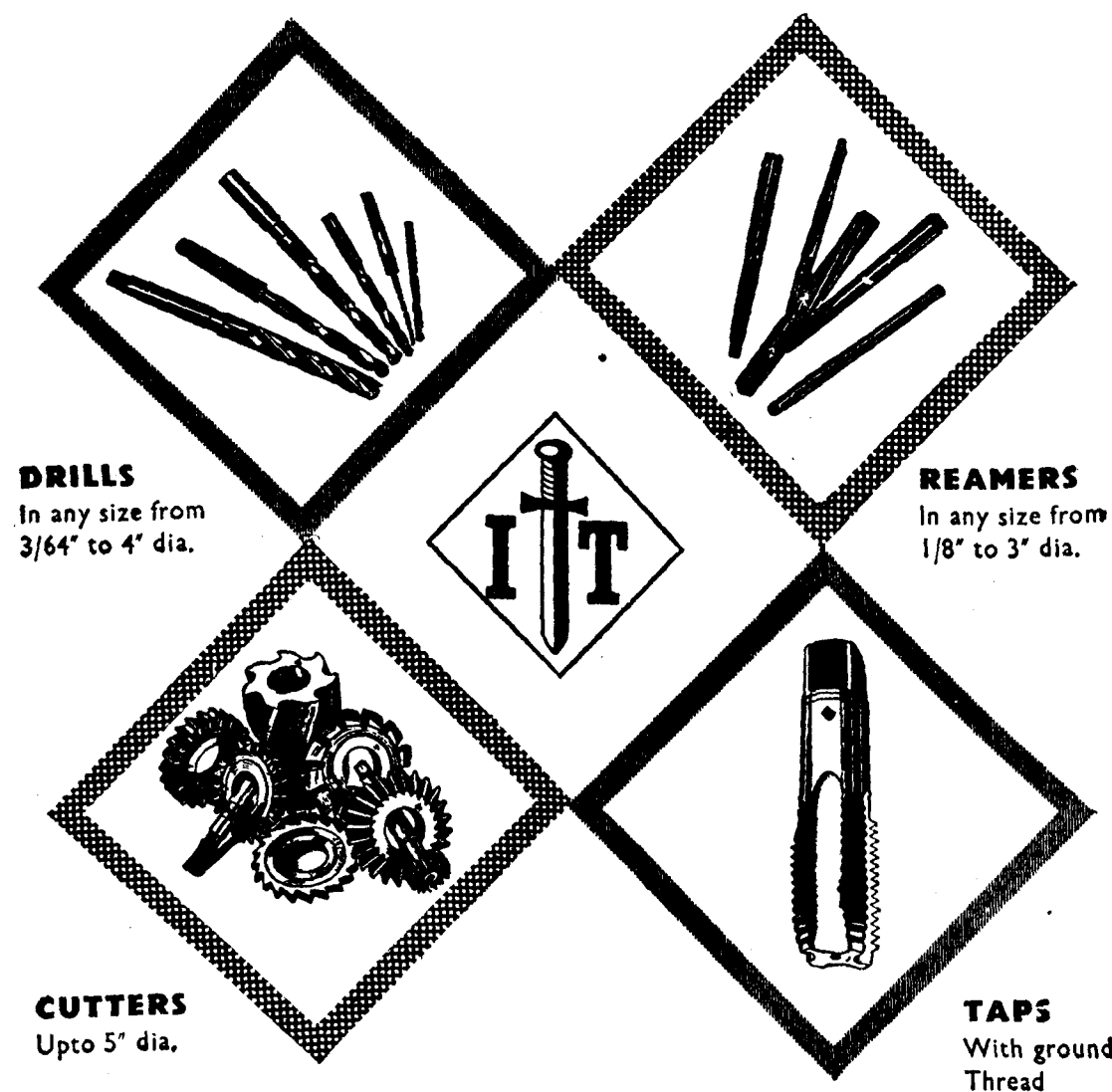
CATS AND KINGS

Can a cat look at a king? Generally cats are somewhat doubtful, though there is a belief that many cats have succeeded in accomplishing this high ambition, and I expect Dick Whittington Lord Mayor of London (who was always followed by his cat) provided adequate opportunity for at least one cat to reach high estate. I ask this question because the general attitude at Federation meetings has been "Will the Prime Minister be pleased or displeased if the tone of the Presidential address is complaining and critical?" I have always taken it for granted that when an institution has its annual meeting, it says plainly what it has in its mind. But, until the current session, most Presidents have been a little fearful of incurring the Prime Minister's wrath which, four years ago, I found displayed on a quite trivial provocation. There is now rejoicing, notwithstanding the fact that a bold speech was made, that the Prime Minister was conciliatory and most people think that there was no need of timidity after all. Thus it seems to be established in Delhi, as well as in London, that a cat can look at a king or at least at a Prime Minister!

I am reminded of an old story, which is told in Cambridge University where there happens to be a college called St. Catherine's which has, or had, an alliance with the famous King's College of Wordsworth's Chapel fame. Either in the process of seeking an alliance or relinquishing it, the Fellows of Cats (St. Catharine's) sent a note to the Fellows of King's pointing out that even a cat could look at a king. Much to their dismay there came the reply 'But Kings look down on Cats'. All of which shows that snobbery and bad manners can be found in the highest academic circles—as well as elsewhere!

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Special Article

FUND FOR SOUTH ITALY

THE World Bank, in collaboration with more than 20 financial institutions in Germany, the United States and Canada sanctioned last week a loan equivalent to 75 million dollars to Italy. The loan was primarily made to the Cassa per il Mezzogiorno (Fund for the South) which is a governmental agency charged with the task of promoting economic development in Southern Italy. The World Bank has so far made five loans to the Cassa totalling over 238 million dollars.

The work of the Cassa needs to be studied very closely in India because it should contain certain fruitful lessons for us. We have our South; and this country, too, needs a fund for the South. The Cassa stands out as an outstanding example of a new approach in raising the level of living in a depressed area within a country. Disparity in income between the various regions in India is perhaps more acute than between Northern and Southern Italy, and hence there is a greater need for a close study of the technique employed by the Cassa for stimulating economic development.

An Italian Parliamentary Commission made a study of the living conditions of the people in 1952 and tried to measure the gulf between the two parts of Italy. The Commission came to the conclusion that whereas in the North only 1½ per cent of the population lived in extremely poor conditions, the percentage of people living in almost similar conditions in the South was as high as 28. Another recent investigation showed that per capita income in the North in 1955 was higher by 45 per cent as compared to the per capita income in the South. The gap was, indeed, so wide that the two parts of Italy looked like two different countries. However, much before the findings of these two studies, attention had been focussed on the poverty of the area

comprising the Italian mainland south of Rome and the islands of Sicily and Sardinia. A systematic policy for bridging the gap between the two parts was initiated when the Cassa was set up in 1950.

The South suffers from a lack of entrepreneurial spirit which is of prime importance for purposes of stimulating economic activity. The Cassa has taken some positive measures in order to encourage an increase in industrial investment in the South. The Act passed last year, which prolonged the life of the Cassa till 1965, provided a number of incentives for investment. The most important concession accorded to the private investors related to the exemption from taxation for profits invested in the South. All profits invested in the South in a given year are exempted from taxation up to a limit of 50 per cent. Special credit facilities are provided to those industries which establish themselves in the South. The interest rates charged are extremely low. Special grants are also made for helping the establishment of factories in smaller towns. Similarly, in the case of bigger towns, industrial zones are being established with official support. In addition to these concessions for investors in the South, the policy of incentives chalked out by the Cassa includes the following:

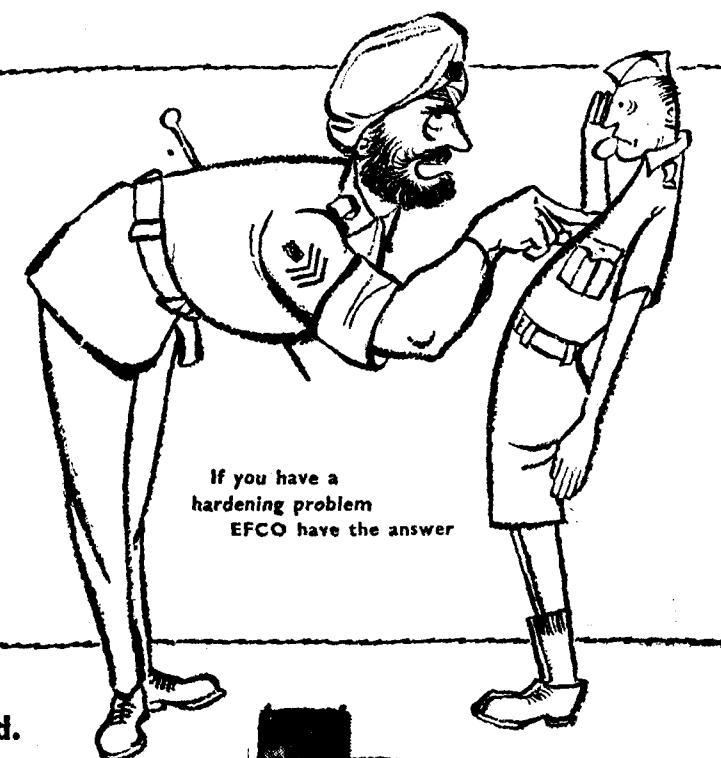
- (i) tax relief for new industrial projects,
- (ii) reduced freight rates by the railways not only for machinery and raw materials but for the finished products as well,
- (iii) exemption from import duties in the case of machinery for new factories,
- (iv) contributions by the Government or the local agencies to meet a part of the expenses for

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installing new industries or enlarging the existing ones,

(v) for setting up new industrial enterprises, Government makes contributions to meet the payment of interest on loans,

(iv) one-fifth of the total amount of Government orders for industrial supplies are placed with factories in the depressed areas.

The stimulus given by the Cassa to the economy of the South is apparent from the fact that during the last seven years an investment of 1,600 million dollars has taken place.

The Cassa has recorded reassuring achievement during the last seven years. It has succeeded in stimulating economic activity in both the agricultural and the industrial sectors. Current estimates show that output of agriculture improved by about 40 per cent during the last seven years. Industrial output also rose by nearly 50 per cent during the same period.

The performance of the two parts of Italy in the major economic fields in 1955 and 1956 is illustrated in the table alongside. It shows that average annual increase in industry and services in the South in 1955 and 1956 was of a higher order than in the North. In agriculture, the North showed a significantly higher rate of growth than the South.

Unemployment among unskilled workers is the outstanding economic problem in Italy, especially in the South. Total unemployment is estimated at 1.9 million. The huge investments which Cassa has made have failed to stimulate employment significantly. Unemployment has continued to grow because the additions to the working force have been far greater than the opportunities for employment offered during the last seven years. This is the one tangle which has remained unsolved so far.

The 10-Year Development Plan provides for a significantly higher rate of growth for the South as compared with the North. Total production in the South is estimated to rise at 7 to 7.5 per cent as against 4 to 4.5 per cent in the North. The rate of industrial growth is designed to be at a level which is double that of the rate in the North. Similarly, in the case of the services, the rate of growth is more than double in the North. The South is expected to score over the North, in percentage terms, in the field of agriculture also during the next ten years.

PRODUCTION IN NORTHERN AND SOUTHERN ITALY

	Annual Rate of increase according to 10-Year Development Plan 1955 = 1964	Percentages Average Annual Increase 1955 and 1956
Italy — Total	5.0	5.8
Agriculture	1.6	2.3
Industry	6.0	6.4
Services	5.8	7.6
North — Total	4.0 to 4.5	5.5 to 6.0
Agriculture	1.0 to 1.5	3.0 to 3.5
Industry	5.0	6.0
Services	4.5 to 5.0	7.0
South — Total	7.0 to 7.5	5.5 to 6.0
Agriculture	2.0	0.5 to 1.0
Industry	9.5 to 10.0	7.5 to 8.0
Services	10.0 to 11.0	10.0 to 11.0

Source: Italian submission for examination of the Italian economic situation at the end of 1956 in relation to the 10-year Development Plan.

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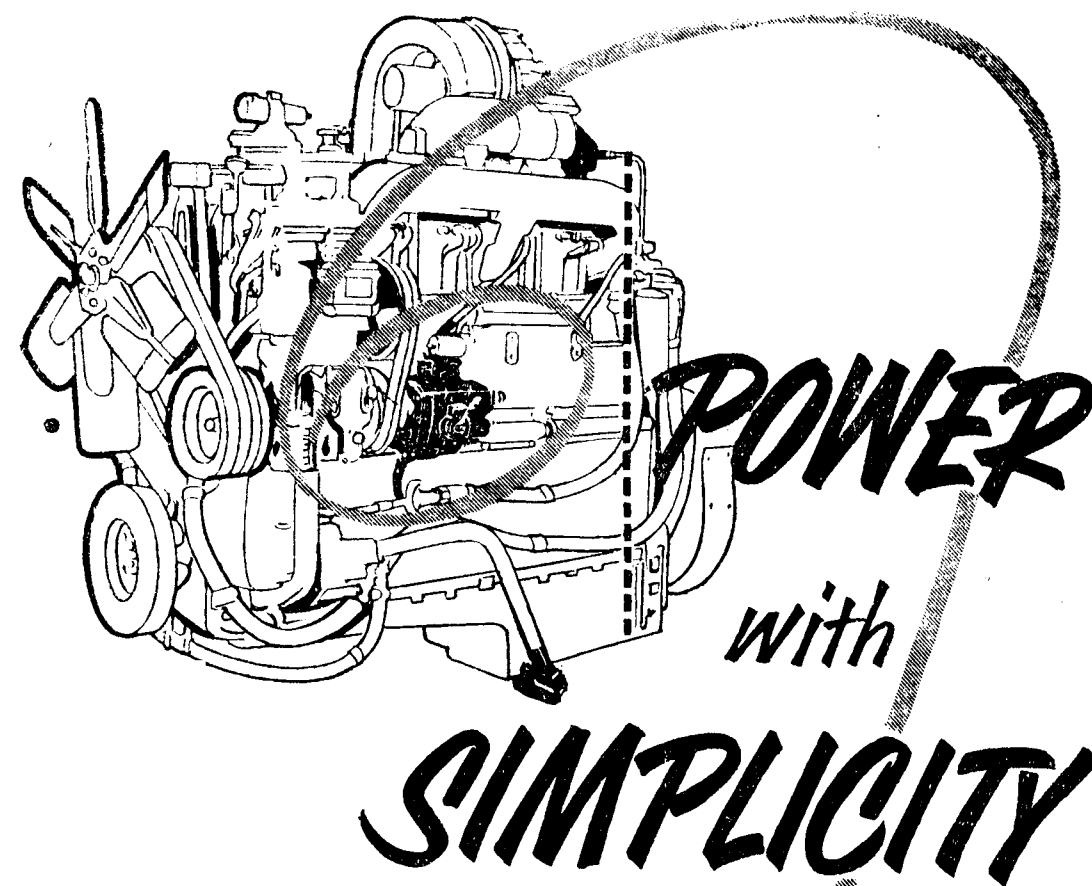
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Economic Report from the U. S.

LOOKING AHEAD TO 1975

(By GUY SIMS FITCH)

WASHINGTON, Mar. 11.—Long-range projections of United States economic trends have become almost commonplace in recent years as more and more has been learned about the functioning of the US economy. It would be too much to expect such projections to be completely accurate, of course. But they have for the most part charted the general course of US economic expansion, and they have helped Government officials and private business men plan realistically for sound growth and development. What is particularly interesting, however, is that the economy has advanced so vigorously over the years that most projections—even those considered rather optimistic when originally drawn up—have turned out to be underestimates. A case in point is a study made six years ago by the McGraw-Hill Department of economics. McGraw-Hill is an outstanding publisher of business journals. And its professional experts are held in high esteem. Yet even they understated the US economic potential and with the economy now in the midst of a moderate downturn, it is especially instructive to take a fresh look at its growth prospects in the light of its actual accomplishments as measured against earlier expectations.

As 'Business Week', a leading McGraw-Hill publication, points out in a recent issue, the US economy already is where it was expected to be four years from now. In 1951, the McGraw-Hill economists made a 10-year projection showing anticipated US economic levels in 1961. The projection foresaw a 1911 gross national product (GNP), in fixed 1951 dollars, of \$380,000 million a year. But by the end of 1957, the GNP—the total output of goods and services—had already reached \$391,000 million, calculated in the same fixed dollars. Other projections for 1961 put consumer spending at \$255,000 million, business capital investment at \$27,000, new construction at \$36,000 million. Actual 1957 figures, again in constant dollars, show consumer spending at \$257,000 million, capital investment at \$28,400 million, and new construction at \$41,000 million. On the basis of current dollars, of course, the 1957 figures are even higher.

Looking back at this remarkable performance, the economists attribute it to two principal factors. For one, the civilian labour force grew faster than expected, reaching 67.9 million in 1957 against the projected 67.7 million by 1961. Lucrative job opportunities apparently drew more people, particularly women, into employment. For another, productivity climbed faster than anticipated. This rapid rise in productivity is attributed largely to technological progress, plus the heavy capital investment that put more and better tools in the hands of American workers.

With its earlier expectations already surpassed, McGraw-Hill's economists are making a new appraisal of US economic prospects. Their projections this time look ahead to 1975, and what they see is an American economy nearly twice as big as it is today. By 1975, they see employment in the United States growing to 88 million, the average work week reduced from the present 39 hours to 35.5 hours and productivity, figured in constant 1957 dollars, rising from the present \$3.29 to \$5.14. Putting these figures together, they come up with a 1975 GNP of \$835,000 million, again in 1957 prices, compared with last year's actual \$434,000.

Behind these numbers lies a host of anticipated technological and industrial developments. These include increasing emphasis on research and development, the opening up and expansion of many industries, the continuing introduction of improved production methods. With these advances, consumer incomes and outlays will rise. This will mean not only more and better consumer goods; together with the increase in leisure time, it also will permit Americans to spend more money and time in such endeavours as education, recreation, entertainment, travel, hobbies and other personal activities. This indeed is a glowing promise, and no one can say for certain that it will be fulfilled but if past experience is any criterion, the likelihood is that—while there may be some temporary setbacks along the way—it may well be surpassed.

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The Business World

I.C.I.C. CHAIRMAN SPEAKS OUT

(By CROESUS)

THE short but succinct statement which Sir Ramaswami Mudaliar has circulated to shareholders of the Industrial Credit and Investment Corporation of India, Ltd. (I.C.I.C.)—this is the first time that the I.C.I.C. is doing so—along with the latest Directors' Report covering the period ended December 31, 1957, is an eloquent plea for a realistic approach to economic problems. As is only to be expected from a man of his experience and background, the statement contains a few "musts" for not only the success of the second Five-Year Plan but also for ensuring that there is no reduction in economic activity generally as a result of a shortage of imported raw materials which are necessary to sustain the industries already started or far advanced in construction. In fact, even in respect of the second Five-Year Plan, Sir Ramaswamy is for the utmost attention being given to the completion of those projects included in the Plan which have already substantially advanced, in particular those which, when completed, will help save foreign exchange. And, in order to achieve this, the I.C.I.C. Chairman has suggested that even those which may eventually lead to savings in foreign exchange by avoiding imports, however attractive, must be postponed in the prevailing context, if no work has started on them.

It is significant that Sir Ramaswamy does not feel that the country can get substantial relief to its balance of payments account even from the concentrated efforts on the exports front. While not minimising the importance of increasing exports, he has pointed out how, to a very great extent, the balance of payments situation in this country is being adversely hit by our continuing increased dependence on imported food grains. So long as we are not able to build up continuing overall surpluses of food grains for domestic consumption, he accordingly feels, our developmental efforts will continue to be a risky proposition. Incidentally, in dealing with this question, Sir Ramaswamy Mudaliar has observed that the 'channelling of exports through State Trading is not the only or the best way in which the most satisfactory results are likely to be achieved'. The efforts of Government can be more profitably directed towards the support of export promotion groups for the maximum results, he adds.

As the Chief of the only institution in India which is privileged to make loans even in foreign currencies, Sir Ramaswamy has appropriately availed himself of the opportunity to pay a tribute to all foreign governments, international agencies, and others who have helped this country. He has not forgotten to commend the good work of those foreign countries which have added to their investments in India or made new investments either. Nevertheless, he realises, as many others in this country, including our Prime Minister, do, that help from such sources can at best be only marginal in meeting our large-scale requirements. Hence his plea that we must look, in the main, to our own efforts for finding the resources to carry through our ambitious Plan.

Although the I.C.I.C. has made impressive progress, one discerns from the statement of Sir Ramaswamy that he is worried about the ability of the I.C.I.C. to continue its operations in a satisfactory manner in what he described as an "unfavourable investment climate" in which investors have been reluctant to take on new commitments, thanks to high taxation. Well can the I.C.I.C. Chairman complain of high taxation, when, out of the total operating profit of Rs. 48 lakhs in 1957, the Corporation has had to provide as much as Rs. 25 lakhs for taxation. By the way, this shows that it is the Government that has benefitted more than either

the Corporation's own finances or the shareholders or, for that matter, even both of them put together. With the steady depletion of the balance to the credit of the Corporation's Revenue Account, Sir Ramaswamy seems to be actually concerned about how to maintain the dividend at a reasonable rate, unless the Corporation increases its income and is able to raise additional funds. This can only be possible, as he rightly says, if there is relief in taxation.

Considering the nature of the operations of the Corporation and its usefulness to the economy of the country, the reasonable demands of Sir Ramaswamy must commend themselves to anybody. For instance, his plea that companies like the I.C.I.C. and others which are engaged in industrial financing and which do not have the benefits available to industrial enterprises by way of development rebate, additional depreciation allowances, etc. must receive special consideration at the hands of the Government is unexceptionable. Surely it is not too much to concede the point that dividends received by the I.C.I.C. on its investments in shares of companies which have already paid Corporation tax must be exempted from further taxation in the hands of the I.C.I.C.

The most notable feature of the activities of the Corporation is its underwriting operations in the admittedly unfavourable investment climate prevailing today. While this is a great service by itself, the attempt to place underwriting operations on a sound basis for future guidance is praiseworthy. Following the example of the World Bank, the I.C.I.C. also seeks to interest sister institutions of good standing to join with it in underwriting work. Besides helping to spread the risk, this should also enable the Corporation to increase the scope of its underwriting operations. There can be no doubt that an institution, which has such an excellent record even within the first three years of its inception and which has such unexceptionable and sound objectives will continue to receive the unstinted support of, and the ungrudging co-operation from, the Government of India and international agencies such as the World Bank and others.

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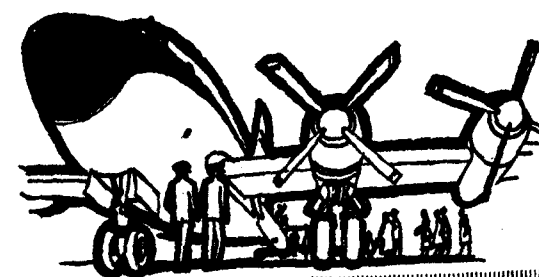
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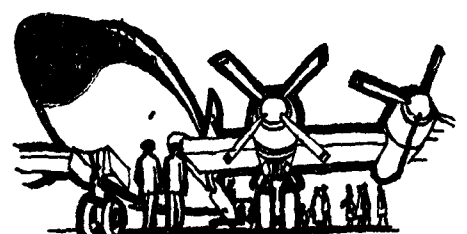
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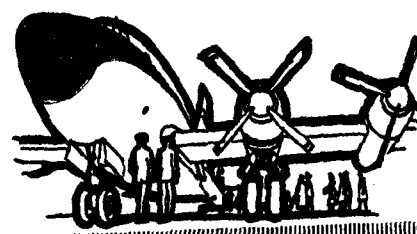
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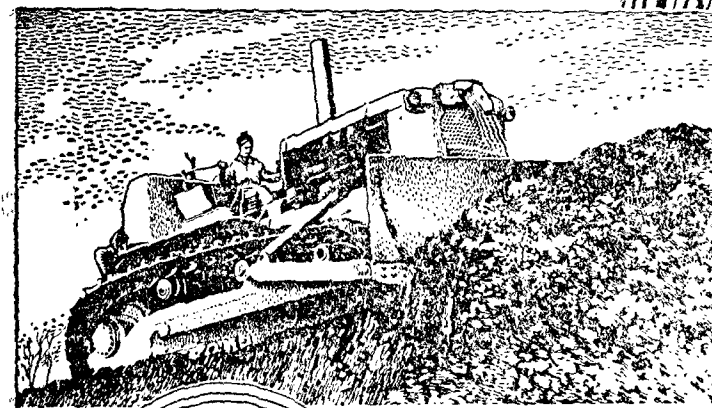
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BUSINESS NOTES

THE FREEZE ON THE DEVELOPMENT REBATE

ONE OF the provisions of the Finance Bill, 1958 which is found vitally to affect the working of joint-stock companies is the provision regarding development rebate.

'Prima facie', the new development rebate rules may be unexceptionable, in that they seek to ensure that the rebate is used only for the purpose for which it is given, but the freezing of the rebate for a period of at least ten years obviously ignores severe practical hardships. Thus, it is not inconceivable that, in these days of rapid technological advances, even a new plant or machinery may become obsolete in just two or three years. Under the rules as they now stand, the company concerned cannot dispose of such obsolete plant or machinery. Again, there are cases where firm orders may have been placed for new plant or machinery which will take sometime to arrive and hence to be installed. Technically, such cases will attract the mischief of the new rules, wherefore the companies concerned will be in the unenviable position of having borrowed money relying on the unrestricted availability of the development rebate as per the old rules, but now finding themselves unable to use the said rebate for repaying the amounts so borrowed as they had contemplated earlier.

If the new development rebate rules are applied without any exemption, even companies like Tata Iron and Steel Company, to take an important case, may find it hard to maintain dividends, it is feared in certain informed circles. In the case of Tisco, last year, the disposable profits after taxation and depreciation, amounted to Rs. 2.20 crores and deferred taxation reserve got some Rs. 15 lakhs. But in 1957-58, that is the current year, while the amount required for payment of ordinary dividend alone would be very much higher because of the last bonus issue; the development rebate, thanks to the new installations, arising from the 'one or two million tons' scheme, may also have to be more—this was Rs. 95 lakhs in 1956-57—but the earnings may not show a corresponding increase. With nothing against Dividend Reserve and no amount set aside to it from profits last year, the Company might be hard put to it to find money for maintaining dividends.

Companies with a regular dividend record which have reserves from which to draw upon may not find it difficult to maintain dividends, but where there are no reserves, dividends may have to be cut, especially if they happen to have large expansion programmes and are entitled to claim development rebates, by reason of the obligation to debit profit and loss account to the extent of the rebate and crediting a little amount to a reserve account to remain frozen there for a period of ten years.

The following suggestions, 'inter alia', have been made which deserve to be considered carefully: (1) The development rebate should be allowed to be claimed in more than one instalment, especially by companies having very large expansion programmes. (2) In 'bona fide' cases where a plant or machinery has to be sold in order to prevent uneconomic working or loss, special permission should be given to dispose of even before 10 years. (3) Where it is established that moneys have been borrowed and firm orders have been placed for plant or machinery before January 1, 1958, mainly relying on the development rebate to meet the commitments, an exception should be made with regard to withdrawals from the development rebate reserve.

INVESTMENT AND TAXATION

THE INDUSTRIAL Credit and Investment Corporation of India combines in its capital structure, total financial resources, management and business operations all the

elements of a sound enterprise. It represents a model of domestic and foreign collaboration with the added benefit of direct assistance for part of its working resources from the World Bank. Its operations must, therefore, be interpreted as a valuable indicator of the climate for investment. The results of its working in the third year ended 31 December, 1957, should serve as an eye-opener to the Government and impress upon it the wisdom of readjusting its tax policy to the requirements of the climate indispensable for investment for development.

The statement of the Chairman, Sir A. Ramaswami Mudaliar, circulated to the shareholders with the Directors' report and accounts for the last year, appears elsewhere in this issue. Only the most important developments which spotlight the effects of new taxation on investment can be mentioned here. The provision for taxation had to be raised steeply from Rs. 12.55 lakhs in the revenue account for 1956 to Rs. 22.25 lakhs in 1957 apart from a small increase in the tax at source. The revenue appropriation account reveals the magnitude of the stringency of the resources prospect for the Corporation. After an allocation of Rs. 5 lakhs to the general reserve and the dividend of 4 per cent tax free as recommended by the Directors which would absorb Rs. 20 lakhs, the balance left to be carried forward is a mere Rs. 1.55 lakhs as against Rs. 6.32 lakhs in 1956. The proposed rate of dividend cannot be reduced if the investor is to be induced to continue his stake in the Corporation consistently with the risks involved in this type of business.

The valuable part which the Corporation plays in the sphere of direct investment is clearly seen in its operations in three years. Out of total commitments of Rs. 1,165 lakhs, Rs. 535 lakhs are absorbed in underwriting business in respect of shares as well as debentures. Direct subscription to equity capital is Rs. 86 lakhs. Underwriting of public issues is becoming increasingly difficult on account of a substantial fall in stock exchange prices. Out of last year's underwriting operations of a total value of Rs. 93 lakhs in respect of 5 completed operations, the Corporation was required to take up nearly two-thirds since only one-third was absorbed by other investors. It must be remembered that one basic principle governing the Corporation's operations is to keep its credit on a revolving basis by withdrawing it from enterprises already assisted to others requiring it in order to extend the benefit of its resources to the maximum number of concerns. When the Corporation sells its investments and realises higher prices on them, it will attract liability for the capital gains tax. The Corporation will not derive benefit like other enterprises of the development rebate and depreciation allowance by reason of the nature of its business. Considering the risks involved in this sphere of business, it is absolutely essential for it to build an adequate reserve fund which it will be unable to do under the existing tax liability. In the light of this situation, the representation which the Directors have made to the Government for tax relief to this category of companies deserves the most sympathetic consideration.

The Corporation's ability to get further credit for the World Bank will depend partly on its ability to increase its own resources which depend to a large extent on the improvement in the investment climate. Full details of the valuable assistance which the Corporation is giving in the sphere of industrial finance are described in the Chairman's statement. But the most noteworthy fact about its loan assistance must be underscored. Out of a total of Rs. 544 lakhs sanctioned by way of loans in three years, Rs. 221 lakhs are in foreign currencies.

TEA — COLOSSUS WITH FEET OF CLAY?

TEA IS one major foreign exchange earning industry in India today which appears outwardly good and gaining in health, while it is suffering from various internal troubles. For example, tea has earned about Rs. 500 crores in foreign exchange over the last four years — by far the largest single earning. In taxes it has paid some Rs. 200 crores during the same period while in bonus to workers it has paid as much as Rs. 15 crores in the last two years alone. In short whether it is in employment or welfare of workers, in production or export, the tea industry has made good strides. Being outside the Plan, all this has been achieved without any external technical or financial aids. Yet most of this strength is no more than surface-deep. The first major weakness of this giant industry is that world total production of tea is rather too plentiful. If in India it has enjoyed a phase of prosperity, it has been also because of other producers' misfortunes in the form of floods, strikes etc. Obviously this prosperity cannot be permanent. The second, and more significant, is the incidence of taxation and other heavy obligations in regard to labour.

Unhappily, the most adverse effect of the high taxation, which has been appreciated less than adequately, has been the frightening, and consequent diversion, of foreign capital to new areas, particularly the African territories. Thus, while the existing plantations have been weakened to stand competition in the world market, we have indirectly been instrumental in helping our prospective competitors to throw us out of the market, in course of time. Already 70 million pounds of African tea, which competes directly with India's common teas, comes on the market every year. And it is the common teas which are most susceptible to a breakdown in the face of stiff competition. Therefore, what is needed is to improve quality. Quality is not merely an accident of location. Patient and constant attention to details in the field and the factory bear their own fruit. It is here that the authorities can go to the rescue of the industry and strengthen its base. If the industry is to sell and earn in an inevitably competitive market, its obligations will need to be reduced to enable it to produce much cheaper than now.

LIFE INSURANCE CORPORATION'S NEW BUSINESS

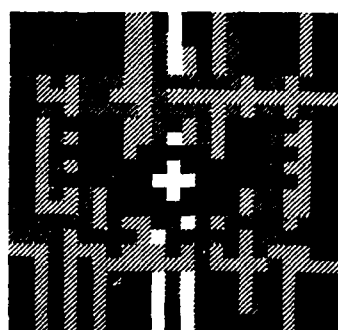
A PRESS Release issued by the Life Insurance Corporation on January 21, 1958, explains the position of

new business underwritten by the LIC during 1957 on the basis of the official returns available up to the previous day. On that day proposals worth Rs. 9 crores of business were awaiting formalities which are excluded from the figures. In the issue of "The Eastern Economist" dated April 23, 1957, we commented in these columns on this subject on the basis of the figures which were then available for the period January-June 1957. The new business in this half-yearly period was Rs. 75 crores. Making allowance for a higher volume, we estimated that additional business of Rs. 125 crores will very likely be acquired, raising the total to Rs. 200 crores for the whole year. The Press Release states that the volume of LIC's new business reached the Rs. 256-crore mark, exceeding the previous figures of new business of the order of Rs. 188 crores in 1956 (the first year of nationalisation) and Rs. 238 crores in 1955. The figures in the Press Release relate to the business written in India. This is encouraging news. With the implementation of new schemes to popularise insurance, the business is expected to keep up the post-war progressive trend at a high tempo.

But other particulars contained in the Press Release have a vital bearing on a complete assessment of the new business. The average monthly business introduced in October and November 1957 was Rs. 21 crores and the actual figure for December was Rs. 65 crores. The total for the fourth quarter was thus about Rs. 86 crores or one-third of the annual volume. The weekly figures for December are revealing — Rs. 7 crores for the first week, Rs. 9 crores for the second week, Rs. 11 crores for the third week and Rs. 38 crores for the fourth week. It is common experience that desperate activity towards the close of the accounting period contains business of a dubious value since the procuring agency is concerned more with the quota or target than with the quality. Much of it lapses subsequently. So far the LIC has not thrown light on the lapse ratio since it took over. It is to be expected that information on this vital indicator will be provided in its annual report.

As mentioned earlier, these figures do not include the new business underwritten in foreign countries. Foreign new business recorded a steep decline from Rs. 21 crores in 1955 to Rs. 12.6 crores in 1956. It would be interesting to know how the LIC is grappling with this problem. Agencies for procuring new business have been stopped in three countries, but they are retained in eleven countries.

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Company Meeting

The Industrial Credit and Investment Corporation of India Limited

The Annual General Meeting of the Shareholders of the Company will be held in the Board Room of the Associated Cement Companies, at Cement House, Queen's Road, Bombay 1, on 7th April, 1958 at 4 P.M. The following is the Statement by the Chairman Sir Ramaswami Mudaliar circulated to the Shareholders with the Directors' Report and Accounts for the year ended December 31, 1957.

It will be seen from the Directors' Report that by the end of 1957 your Company had agreed to give financial assistance in Rupees for a total of Rs. 944 lakhs in respect of 31 projects. In addition 5 loans in various foreign currencies had been sanctioned for a total of the equivalent of Rs. 221 lakhs.

With the Directors' Report and Annual Accounts for 1957 your Company completes the third year of operation and I take this opportunity to review the activities of this Company and to make a few observations of a general character. After allowance is made for the slow rate of progress inevitable in the initial stages of a new enterprise it may be stated that from the figures given above your Company's operations will not be regarded as unimpressive. In my previous remarks at General Meetings I have referred to a number of measures in the field of taxation and elsewhere which have operated during the three years since this Corporation commenced business; collectively these measures have produced what is conveniently described as an unfavourable investment climate in which investors have been reluctant to take on new commitments and in which their ability to do so has been curtailed by high taxation. It is against the background of these conditions that the operation of this Corporation must be viewed.

From the information given in the Directors' Report for 1957 it will be apparent that total assistance sanctioned by your Company can be divided more or less equally between loan operations in Rupees and Foreign Exchange on the one hand and underwriting operations in respect of shares or debentures on the other. In the provision of loans while your Company is not the only source of Rupee finance in India it has come to occupy a special position by reason of its ability to grant loans in foreign currencies of moderate amounts in present times when the shortage of foreign exchange is holding up the development of many enterprises. Out of a line of credit of the equivalent in various currencies of US \$10 million available to your Company from the International Bank for Reconstruction and Development, loans have so far been sanctioned of an equivalent of \$4.63 millions for five projects, and it may not be long before the entire amount is used up. It was hoped at the time when this Company was floated that further foreign exchange resources would be made available when the first line of credit became exhausted and I trust that your Company may be enabled to continue to render assistance in the form of foreign exchange loans in suitable cases and for suitable amounts through the grant of additional credit from the World Bank when this becomes necessary.

As a financing institution which also takes care of providing permanent share capital for industrial development your Company is the only one of its kind in this country and it is a matter of no small significance that within the short period of its existence it has been

able to carry through substantial underwriting operations in spite of the unfavourable investment climate. Out of 16 underwriting operations sanctioned involving a total commitment of Rs. 535 lakhs, 9 operations had been completed by the end of 1957 and two more have been completed so far in this year. Of equal importance with the actual underwriting operations effected is the laying of the sound foundation for our future activities in this field. I am hopeful that with the traditions that are being established it should be possible in the future to organise underwriting activities on a larger scale. It has been our endeavour to interest institutions and firms of good standing to join us as underwriters or sub-underwriters so as to be able to organise underwriting operations which are too large for your Company to carry through alone. I have emphasised before that success in this field depends upon a suitable investment climate and I trust that Government will give due regard to the necessity for doing their share to bring about the right sentiment among potential investors without whose support we cannot do fully what we set out to achieve.

Generally our approach is based on the idea of interesting other parties or agencies in our operations so as to broaden their base. In this way we hope, as experience of our operations becomes more widely known, potential investors will learn to rely on the detailed examination of every project which we insist upon before providing financial assistance of any kind. It is to be noted that the World Bank in its operations is always looking for, and has achieved a substantial measure of success in obtaining, the support of other financial institutions and investors.

I should like to mention one significant feature of the assistance so far sanctioned. Out of the 36 projects which we have agreed to help 16 are new enterprises. It may also be noted that both in the matter of industries covered and their distribution over the country the assistance is broadbased. Special attention has been given to the needs of underdeveloped areas.

It has become a matter of concern that while your Company has been trying to fulfill the role for which it was set up by providing risk capital to new as well as existing enterprises, the discharge of that function has been rendered more difficult as a result of new factors which have come into operation during the last 3 years. On account of a considerable increase in income-tax and corporation tax rates and the levy of capital gains tax the earnings of your Company after tax are so reduced that the sums remaining are insufficient to permit adequate allocation to reserves as well as a reasonable return to the shareholders. I need not repeat all the arguments which show the need for building up substantial reserves against the risks inherent in our operations—particularly in the financing of new ventures. In the case of new ventures your Company may have to wait several years before it can receive

any Dividends on its investment and, when received, such Dividends in common with all Dividends received on investments in shares by your Company, will suffer on Corporation tax in the hands of your Company despite the fact that the same earnings will already have suffered Corporation tax in the hands of the Company concerned. Investors in new projects who look to an appreciation in the value of their investments as some compensation for foregoing Dividends in the earlier years now find that the capital gains will be taxed, admittedly at a lower rate than normal income-tax. This means that your Company will be taxed on capital gains when it realises investments with the view to taking on new commitments. It will be recalled that it is the policy of this Company to revolve its investments in order to make its funds available for further industrial financing. Your Directors have represented to Government that consideration be given to the grant of tax concessions to Companies such as yours which are engaged in industrial financing and do not have the benefits available to industrial enterprises in the way of development rebate, additional depreciation allowances and the like. Without some such concession your Directors feel that it will be difficult for them to recommend the setting aside of adequate amounts to Reserve for possible capital losses on their operations and at the same time give a reasonable Dividend to the Shareholders.

It will be evident from the results of 1957 that against operating profits of Rs. 48 lakhs taxation takes Rs. 25 lakhs leaving only Rs. 23 lakhs for allocation to Reserves and for Dividends to the Shareholders.

You will see from the accounts that the meeting of the additional tax imposed in respect of 1956 and the allocation of Rs. 5 lakhs to Reserve this year together with the payment of a modest Dividend of 4 per cent tax free on the paid-up Capital have involved a substantial reduction in the balance which stood to the credit of the Revenue Account after payment of the Dividend last year. Unless we are able to step up our income during the current year and obtain some tax concessions the payment of a Dividend to Shareholders at a reasonable rate commensurate with the risks which this business involves will be no easy matter. Your Company's present resources are likely to be fully utilised in the near future. How best additional funds can be raised is engaging our attention and my plea for tax relief has considerable bearing on our ability to do so.

Turning now to the state of India's economy during 1957 I should like to refer to certain aspects of major importance. Early in the second Plan both the Private and the Public Sectors have met a severe shortage of internal and external capital for fulfilment of the production targets laid down. While I am far from happy at the apparent slowing down of the rate of progress as a result of such shortages it looks to me that the country is now entering a more realistic phase of planning. I see in the country welcome signs of awareness of difficulties which lie in our path and a determination to grapple with those difficulties in a serious fashion.

While special attention appears to have been given recently to the need for increasing exports it does not appear to me very probable that substantial and early relief to our balance of overseas payments can come from this source. The unsatisfactory feature of our overseas payment situation is the dependence on imports of food grains. It appears that favourable harvests during the first Plan period have resulted in insufficient

effort being directed towards the expansion of food production during the second Plan period with the result that the partial failure of crops in some parts of the country have increased the dependence on imports at a time when this can ill be afforded. I am glad to note that this problem is now engaging the attention of Government. However, I believe it should be given a central place in all our planning both present and future because, with the population growing at a faster rate than ever before as the result of improved standards of living and health, our efforts in the direction of industrial or other development will remain at risk until we have built up a continuing overall surplus of food grains for domestic consumption.

I referred briefly to the need and the efforts which are being made to encourage exports and said that this was not likely to be an easy task. I feel bound to observe that in my opinion the channelling of exports through State Trading is not the only or the best way in which the most satisfactory results are likely to be achieved. The efforts of Government could, I believe, be even more profitably directed towards the support of export promotion groups comprising those in the exporting industries to whom in any event Government must look for the major efforts.

Any survey such as I have attempted of the problems confronting our country at this important stage of the second Five-Year Plan would be incomplete if I do not pay a tribute to all those overseas Governments, International Agencies and other friends of India who have during this period of exchange shortage come forward with help in various forms. We must also remember the many overseas Companies who have made new investments or increased existing one in India thereby showing their confidence in our country. On the other hand we must ourselves recognise that help from such sources can, at best, be only marginal in meeting our large-scale requirements. It is to our own efforts that we must look in the main for finding the resources to carry through our ambitious plan of social and industrial development whether they require finance in the form of Rupees or foreign currencies. To this end it is necessary to recognise that it is the actions of individual persons which will determine whether we are able to find the resources we need or not and the task falling on Government is primarily to bring about the conditions under which individuals will be able and willing to do their share.

In the present and the immediate future I believe that the utmost attention should be given to the completion of those projects included within the second Five-Year Plan which are already substantially advanced. This applies particularly to those which when in operation, will achieve early savings of foreign exchange. Concentration in this direction at this moment even at the cost of deferring the commencement of other attractive projects which may also eventually achieve exchange savings by avoidance of imports is the only way in which quick results can be counted upon. Coupled with a review designed to take advantage of progress already made there should be, in my opinion, an early objective examination and rephrasing of the remainder of the second Five-Year Plan with due regard to the resources now available to us. The time for proceeding on the assumption that windfalls will come from some direction or another so as to enable us to avoid a crisis is, in my opinion, passed. At all costs we must endeavour to avoid a reduction in economic activity as the result of a shortage of imported raw materials or semi-finished goods necessary to sustain the industries already started or far advanced in construction.

COMMODITY NEWS AND NOTES

INCREASE IN SUGAR PRODUCTION

According to the Directorate of Economics and Statistics, Union Ministry of Food and Agriculture (Department of Agriculture), the all-India first estimate of sugar produced directly from cane in vacuum pan factories puts the current season's production at 20.67 lakh tons, as against the actual production of 20.29 lakh tons during the previous season. This shows an increase of 38,000 tons or about 1.9 per cent in production during the current year as compared to the last year. The increase in sugar production is expected to be shared mainly by Bombay (69,000 tons), Punjab (24,000 tons) and Mysore (31,000 tons). The States of U.P. and Bihar are, however, expected to show a decline in production to the extent of 37,000 tons and 27,000 tons respectively.

INCREASE IN ACREAGE OF TOBACCO

According to the Directorate of Economics and Statistics, Ministry of Food and Agriculture, the all-India first estimate of tobacco, for 1957-58, puts the current year's area at 828,00 acres, as against the corresponding adjusted estimate of 816,000 acres for 1956-57. Thus, the current year's estimate shows an increase of 12,000 acres or 1.5 per cent in area over last year. The increase in acreage during the current year has been shared by Andhra Pradesh, Bihar, Bombay and Uttar Pradesh and is attributed generally to favourable climatic conditions at the time of sowing. This increase has, however, been offset to some extent by decrease in Rajasthan State. The information given in this estimate relates generally to the period up to the end of December 1957. Till then, the condition of the crop was reported to be generally satisfactory. This estimate does not cover the entire area sown to tobacco crop during the current year. Past experience has shown that the area at the first estimate stage forms roughly 85 per cent of the area finally reported.

COAL PRODUCTION DURING 1957

The total quantity of coal raised in India during 1957 was 43,504,071 tons, stated Shri K. D. Malaviya, Union Minister for Mines and Oil, in the Lok Sabha, recently. The Minister, who replying to Shri T. B. Vittal Rao, added that the break-up of this figure into Public and Private Sectors was 5,306,370 and 38,197,701 tons respectively. The additional production expected during 1957 was from existing State collieries and from Singareni. In case of the former, added the Minister, the increase was to be achieved through improved mining methods, for which the Plan target was 0.5 million tons per annum by 1960-61; against this, 0.38 million tons has been realised already by the end of 1957. In addition, certain new schemes for the expansion of pro-

duction from these collieries through fresh workings were under consideration. These, when implemented, would increase the additional production to 2.31 million tons per annum. As regards Singareni, against a target of 0.5 million tons for 1957-58, under the projected scheme of expansion of the collieries, 0.45 million tons had been realised during the calendar year 1957.

PRODUCTION AND DESPATCHES OF SUGAR

The production and despatches of indigenous sugar amounted to 11.45 and 5.33 lakh tons up to February 15, 1958, in the current season, as against 10.02 and 5.48 lakh tons respectively in the corresponding period of the last year. The stocks with the factories on February 15, 1958, stood at 10.42 lakh tons, as compared with 9.81 lakh tons last year.

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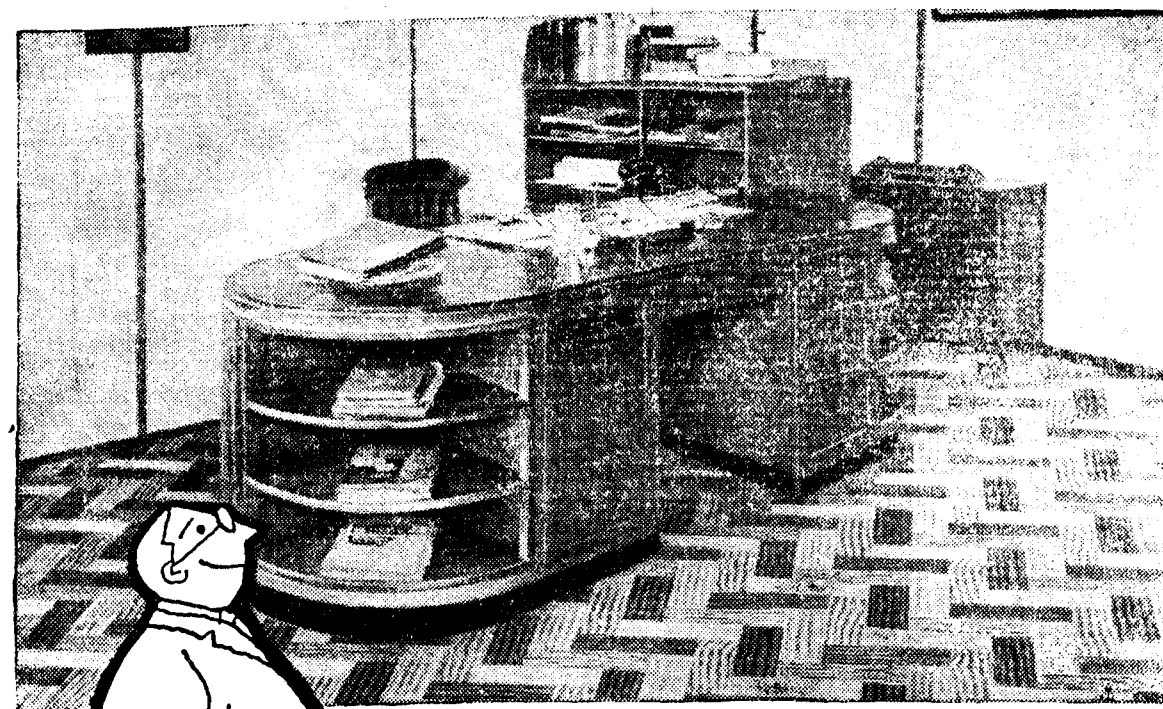
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CURRENT STATISTICS

INDEX NUMBER OF WHOLESALE PRICES

(Base: 1952-53=100)

		Food articles	Liquor & Tobacco	Fuel Power Light & Lubricant	Industrial Raw materials	Manufactures			All Commo- dities
						Inter- mediate Products	Finished Products	Total	
1953-54	..	108.7	98.6	99.2	109.7	98.5	99.0	98.9	104.5
1954-55	..	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.5
1955-56	..	86.6	81.0	95.0	99.1	100.1	99.6	99.7	92.4
1956-57	..	102.2	84.3	104.1	116.0	110.9	105.5	106.2	105.2
August 1957	..	112.1	92.1	114.7	120.1	108.2	108.6	108.6	112.0
September	..	108.5	93.7	114.5	115.4	107.3	108.9	108.6	109.5
October	..	107.2	95.0	114.5	114.8	106.7	109.1	108.6	108.8
November	..	107.9	96.5	115.0	116.0	106.0	108.8	108.4	109.3
December	..	104.0	97.5	114.9	115.4	105.7	107.8	107.5	107.0
January 1958	..	102.6	96.4	114.4	113.7	106.7	107.7	107.5	106.0
February	..	100.7	96.7	114.7	111.1	105.8	107.7	107.4	104.6
Week Ended 25-1-1958	..	102.2	96.0	114.4	112.8	106.6	107.6	107.5	105.6
1-2-1958	..	100.6	96.7	114.5	111.2	105.9	107.7	107.4	104.6
8-2-1958	..	100.0	96.7	114.5	110.5	105.5	107.4	107.1	104.1
15-2-1958	..	100.9	96.7	114.8	111.9	105.4	107.9	107.5	104.8
22-2-1958	..	101.3	96.7	114.8	110.8	106.3	107.7	107.5	104.9

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

period	Bombay			Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934 =100	Ahmeda- bad July 1927 = 100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936 = 100	Ludhiana†	Jamshed pur†	
1939 (Aug Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	138
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	330	161	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	218	130	321	371	364	133	321	134	135	132
1956	336	352	244	142	347	424	397	151	356	152	146	145
1957	352	368	259	150	364	448	—	162	375	157	158	152
1957 April	339	355	256	148	345	427	415	162	369	161	152	148
May	346	362	257	151	352	441	420	163	369	157	156	150
June	352	368	259	152	371	446	423	168	373	159	156	155
July	358	374	263	152	371	459	424	165	375	159	164	155
August	359	375	265	155	375	468	427	163	373	157	166	156
September	357	373	262	149	378	464	426	160	372	156	167	157
October	356	372	260	149	375	461	429	162	371	155	166	156
November	365	383	265	148	378	457	431	165	391	156	168	157
December	365	383	257	145	375	443	—	165	390	154	166	157*
1958 January	—	—	—	144	368	434	—	—	387	—	—	156*
February	—	—	—	143	—	427	—	—	387	—	—	—

†Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	7-3-1958			28-2-1958			21-2-1958			14-2-1958		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola) ..	113.19	111.69	112.43	112.59	111.12	111.91	114.03	111.62	112.83	114.37	113.19	113.94
Silver (per 100 fine tolas)	193.50	191.37	192.41	192.81	190.87	191.65	193.12	190.69	192.21	191.00	188.69	189.59

* Provisional.

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**RESERVE BANK OF INDIA
ISSUE DEPARTMENT**

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSET						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1938-39*	182,36	28,28	210,64	44,42	66,95	111,37	52.91	67,11	32,16	210,64
1948-49*	1,231,84 (5,58)	22,02 (—)	1,253,86 (5,58)	42,49	907,47	949,96	75.43	42,96 (90)	265,62*	1,253,86 (5,58)
1949-50*	1,128,94	24,00	1,152,94	40,02	647,04	687,06	59.59	50,53	415,36	1,152,94
1950-51*	1,163,21	17,19	1,180,40	40,02	624,70	664,72	56.31	57,21	458,47	1,180,40
1951-52*	1,189,84	27,78	1,217,62	40,02	625,27	665,29	54.64	63,98	488,36	1,217,62
1952-53*	1,114,84	27,87	1,142,72	40,02	604,02	644,04	56.35	80,22	458,08	1,142,72
1953-54*	1,133,95	23,03	1,156,97	40,02	594,02	634,04	54.80	92,83	439,11	1,156,97
1954-55*	1,196,19	22,98	1,219,18	40,02	648,81	688,83	56.58	102,26	428,09	1,220,18
1955-56*	1,339,39	17,08	1,356,47	40,02	656,52	696,54	51.35	106,87	553,06	1,356,47
1956-57*	1,475,77	18,75	1,494,52	44,42 (117,76)	545,61	590,03 (663,37)	39.95 (44.37)	115,61	755,22	1,494,52
Average of Fridays										
June 1957	1,567,48	29,03	1,596,51	117,76	412,52	530,28	33.28	125,17	941,06	1,596,51
July	1,527,79	34,84	1,562,62	117,76	406,52	524,28	33.55	127,54	910,81	1,562,63
August	1,495,65	30,71	1,526,37	117,76	369,52	487,28	31.92	131,22	907,87	1,526,37
September	1,477,66	36,41	1,514,07	117,76	338,60	456,36	30.14	133,82	923,89	1,514,07
October	1,487,74	26,43	1,514,17	117,76	317,92	435,68	28.78	133,92	944,57	1,514,17
November	1,481,61	32,86	1,514,47	117,76	293,14	410,90	27.13	134,22	969,35	1,514,47
December	1,508,32	14,69	1,523,01	117,76	278,95	396,71	25.28	132,76	993,53	1,523,01
January 1958	1,533,77	13,77	1,547,54	117,76	256,42	374,18	24.18	131,41	1,041,95	1,547,54
February	1,551,89	18,01	1,569,90	117,76	245,54	363,30	23.14	129,78	1,076,82	1,569,90
Week Ending										
14-2-1958	1,557,65	11,86	1,569,51	117,76	245,54	363,30	23.15	129,39	1,076,82	1,569,51
21-2-1958	1,546,01	24,11	1,570,12	117,76	245,54	363,30	23.12	129,99	1,076,82	1,570,12
28-2-1958	1,545,26	25,06	1,570,32	117,76	245,54	363,30	23.12	130,20	1,076,82	1,570,32
7-3-1958	1,578,67	8,98	1,587,65	117,76	245,54	363,30	22.88	127,59	1,096,76	1,587,65

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS					Other Liabilities†	TOTAL LIABILITIES & ASSETS**	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad §	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Banks	Others	Total									
1938-39*	14,90	..	10,19	75	31,84	1,28	43,12	28,38	1,53	4,21	1,72	2	6,36	90
1948-49*	222,17 (14,33)	16,93 (3,04)	80,53	56,52	393,72	15,33	419,05	22,12	4,28	307,78	1,71	3,34	75,65	4,14
1949-50*	141,19	23,12	67,00	64,39	295,69	15,76	321,45	24,12	4,30	280,91	3,36	8,39	960,54	4,34
1950-51*	148,60	17,71	62,22	62,29	290,82	18,14	318,97	17,31	3,04	107,70	2,37	6,77	70,72	5,06
1951-52*	181,30	15,95	58,68	69,22	325,15	18,62	353,77	27,92	6,31	187,14	5,90	19,42	95,10	11,91
1952-53*	136,40	7,79	52,89	61,93	259,02	23,69	292,71	28,03	6,64	133,56	2,85	19,03	89,77	12,83
1953-54*	105,44	23,40	46,52	57,45	232,80	23,91	266,72	23,22	9,46	123,31	1,78	19,84	81,58	7,51
1954-55*	89,13	20,66	55,20	36,29	201,28	23,62	234,90	23,24	6,10	87,53	1,14	26,55	80,52	9,82
1955-56*	60,11	19,85	53,77	18,31	152,04	35,69	197,64	17,21	9,78	66,96	1,73	36,99	49,36	15,61
1956-57*	57,52	14,10	52,46	19,73	143,81	91,21	245,02	18,91	5,69	64,77	4,89	85,34	51,82	13,60
Average of Fridays														
June 1957	53,09	3,29	71,77	112,40	240,55	153,86	404,41	29,16	3,82	46,96	24,53	98,02	188,36	13,57
July	53,64	2,79	86,56	149,28	292,27	45,01	422,28	34,97	3,10	29,21	26,99	74,82	241,04	12,15
August	65,46	7,40	90,60	126,86	290,31	46,20	421,51	30,84	3,38	20,94	31,46	81,90	244,49	8,49
September	51,52	7,96	101,67	110,31	271,46	49,15	405,61	36,54	5,99	27,32	42,90	68,80	211,07	12,09
October	51,93	7,91	93,04	112,25	269,12	56,59	410,71	26,53	3,04	18,34	49,26	72,21	223,35	17,98
November	52,89	8,94	104,79	110,91	277,53	58,06	420,59	33,90	2,28	24,37	41,23	58,22	244,15	17,35
December	57,64	8,22	75,00	115,07	255,94	58,52	399,46	14,80	4,78	24,38	36,07	55,13	248,08	16,22
January 1958	54,97	21,36	68,29	114,61	259,22	72,24	416,46	13,88	2,83	31,49	35,40	68,03	248,17	16,67
February	54,24	17,59	73,50	113,24	258,56	73,15	416,71	18,12	2,49	33,76	39,20	68,03	239,08	16,04
Week Ending														
14-2-1958	51,82	24,83	69,26	113,52	259,43	70,49	414,92	11,99	1,81	33,61	38,21	69,07	242,85	17,38
21-2-1958	51,61	16,73	77,34	113,04	258,12	76,42	419,54	24,24	2,50	31,75	39,72	64,68	240,58	16,07
28-2-1958	56,60	15,67	75,46	112,84	260,57	75,30	420,87	25,19	3,48	31,25	38,26	66,60	239,75	13,35
7-3-1958	53,46	9,85	77,40	113,28	253,99	73,04	412,03	9,05	8,39	33,48	43,91	74,30	229,38	13,52

* Average of Fridays. ** Includes (i) paid-up capital of Rs. 5 crores and (ii) reserve fund of Rs. 5 crores up to June 28, 1957 and of Rs. 80 crores from July 5, 1957. † Includes National Agricultural Credit (Long-term Operations) Fund of Rs. 15 crores from July 6, 1956 and of Rs. 20 crores from July 5, 1957 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 2 crores from July 5, 1957. § Includes cash and short-term securities Figures in brackets refer to Pakistan. NOTE: The Gold Reserve of Issue Dept. are revalued at Rs. 62.50 per tola from Oct. 6, 1956.

Factors Responsible For The Increase In Money Supply*
(1955 — 57)

(Rs. crores)

	1957	1956	1955
I. INCREASE (+) IN GOVERNMENT INDEBTEDNESS TO BANKS	+477.8	+244.2	+146.1
1. Increase (+) in indebtedness to the R.B.I.	+421.7	+261.0	+105.1
(a) Decline (—) in Government Balance with R.B.I.	(— 1.3)	(— 0.6)	(+ 7.0)
(b) Increase (+) in R.B.I. holdings of Government Securities	(+395.2)	(+258.0)	(+ 96.1)
(c) Increase (+) in loans and advances granted to Government by the R.B.I.	(+ 27.8)	(+ 3.6)	(+ 2.0)
2. Increase (+) in Government Securities held by banks	+ 56.1	— 16.3	+ 41.0
II. INCREASE (+) IN PRIVATE INDEBTEDNESS TO BANKS	—120.3	+129.1	+ 49.8
1. Increase (+) in bank credit.	+ 80.4	+178.0	+100.0
2. Decrease (—) in time liabilities of banks	—200.7	— 48.9	— 50.2
III. INCREASE (+) IN FOREIGN EXCHANGE ASSETS HELD BY R.B.I.	—327.5†	—199.3	+ 4.4
IV. CHANGES IN OTHER ASSETS AND LIABILITIES OF R.B.I. AND OTHER BANKS	+ 67.1	— 42.5	+ 14.7
V. RECORDED INCREASE (+) IN MONEY SUPPLY	+ 97.1	+131.5	+215.0

* Provisional estimates

† Exclusive of dollar purchases (Rs. 95.2 crores) from the I.M.F.

Net Capital Formation — By And Through The Central Government

(Rs. Crores)

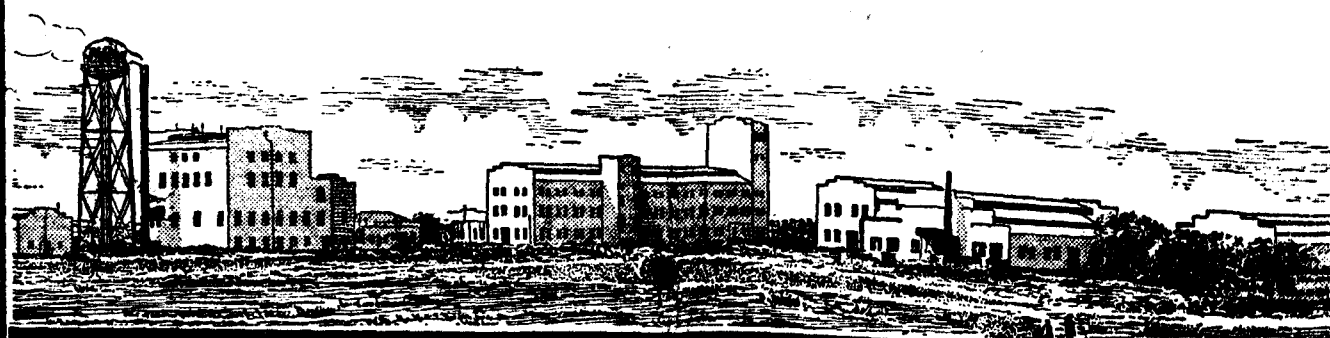
	1951-52 (Acct.)	1952-53 (Acct.)	1953-54 (Acct.)	1954-55 (Acct.)	1955-56 (Acct.)	1956-57 (R.E.)	1957-58 (B.E.)
A. BY THE CENTRAL GOVERNMENT (DIRECT)							
(a) Fixed assets	49.4	43.2	67.5	86.8	127.8	220.6	327.7
(b) Works Stores	5.0	—1.0	3.2	—2.5	5.1	8.7	8.0
TOTAL	54.4	42.2	70.7	84.3	132.9	229.3	335.7
B. THROUGH THE CENTRAL GOVERNMENT (INDIRECT)							
(a) Grants for capital formation	6.3	5.7	6.2	28.4	32.9	35.6	33.4
(b) Investment in shares	4.2	2.3	4.6	6.2	3.4	49.3	79.0
(c) Loans for capital formation	85.0	105.8	144.9	257.6	291.8	284.8	295.2
TOTAL	95.5	113.8	155.7	292.2	328.1	369.7	407.6
C. TOTAL NET CAPITAL FORMATION BY AND THROUGH THE CENTRAL GOVERNMENT (A plus B)	149.9	156.0	226.4	376.5	461.0	599.0	743.3

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Printed and Published by Devi Prasad Sharma at the Hindustan Times Press,
for "The Eastern Economist" Ltd., 52, Jan Path, New Delhi. Editor:—E. P. W da Costa, M. A. (Oxon.)

The

Eastern Economist

VOL. XXX. NO. 12

NEW DELHI: MARCH 21, 1958

ONE RUPEE

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Beating the Retreat

NOTHING succeeds like success; and no explanation for success need be sought. The announcement by the Government of India on Tuesday of a reduction of the cotton cloth excise duties by a figure of Rs. 15 crores in relation to the level of duties of 1957-58, and by Rs. 6 crores in relation to the Budget estimates of 1958-59, followed so quick on the refusal of the Prime Minister to consider these concessions in his Budget speech that no adequate explanation of the retreat has been forthcoming. Again, the sudden discovery by the Prime Minister that it has become clear that sums it was intended to impound to in the Compulsory Deposit Scheme were in fact used for development proposes must puzzle those who believed that the Reserve Bank of India and the Central Board of Revenue have some substantial information on the facts of the eco-

nomie situation. If the reduction in excise duties and the suspension of the Compulsory Deposit Scheme in 1958-59 and its permanent withdrawal thereafter are now seen to be so obviously right, how has it come about that fifteen days previously there was no indication that the Government of India was in a position or in a mood to yield? The unhappy conclusion is that the Government has not yielded to better argument or to the facts, which have long been in its possession, but to sustained internal political party pressure.

In the sense that the Opposition had had no major part in these victories, one may tend either to lose interest in Parliamentary proceedings or to argue that efforts must be directed not so much to influencing opinion inside the House as in-

fluencing the Congress Party outside it. This is not a healthy development. If the source of power should pass from Parliament, and the forum of debate which is effective should be that of the closed party meeting, both democracy in India and the prestige of the Government will necessarily fall in the process. For it will be clear that the Executive is yielding not to argument but to political force. It is, therefore, necessary to concentrate on the debate in the House, and not to pass nimbly, as the Press frequently does, to the end result. There was much that was heartening in the Budget Debate. Both the Opposition and many Congress Party members have risen in stature; it was clear that independence of judgment on both sides of the Lok Sabha is growing.

Less than justice has been done in the Press or elsewhere to some forceful and, indeed, unanswerable arguments that were presented. Acharya Kripalani's forthright attack on defence expenditure has left a deep impression on the country; nothing was so unsatisfactory as the Prime Minister's reply that while his own inclination was in the same direction, the claim of national security (whatever that might mean in this context) was supreme. In the Leading Article which follows it is argued that the premises on which "national security" is, at present, based do not carry conviction to others besides Mr. Kripalani. Serious damage is being done to India's national moral position by our determination to prescribe reduction of armaments to everybody except ourselves.

By the same token the Prime Minister's personal attack on particular members of the Opposition, and particularly Mr. M. R. Masani, on the facetious ground of his "revolving" moods, did less than justice to a very able presentation of the case for avoidance of inflation. At the present time, the overall Budget deficit will be increased by six crores on revenue account and

The Dilemma on Defence

ACHARYA J. B. KRIPALANI, a former Congress President and at present leader of the Praja Socialist Party in Parliament pin-pointed, in his speech on the Budget, the dilemma that the country's defence policy poses in the context of its neutral policy. He criticised the "mounting defence expenditure" of the Government of India. The Acharya also drew attention to what is alleged to be the country's "hypocrisy" in preaching one thing and practising another. We preach, he said, fearlessness and disarmament to the world and increase our own arms and armaments. He had a telling point, the more telling because it was on the moral plane.

The problem of a country's defence is always complicated. It is particularly so in the case of an under-developed country caught in the back-washes of the Cold War. It cannot obviously remain oblivious to the needs of defence, yet, at the same time, it cannot defend itself against pressures of world power politics. But there is a large element of truth in what Acharya Kripalani said. The actual defence expenditure which was Rs. 196 crores in 1953-54 has risen to Rs. 278 crores in the current year. The increase is due to several causes like the grant of increased rates of allowance to the service personnel and the rise in the general price level of stores and equipment. But the major reason remains, however,

seven crores by the lapse of the Compulsory Deposit Scheme, so that deficit financing will rise on existing estimates from Rs. 205 crores to 212 crores. The argument which is relevant in Mr. Masani's speech is not that the hard core of the Plan should be cut but there are frills and fancies which cannot be justified when they involve, as they clearly do, in the current case a large measure of inflation. Mr. Masani spoke with justification of the small man, and the small business man who was being thrust out of his traditional callings. The adjustment of the ways of life of the small man, whether as manufacturer or small retail trader, who has no margins on which to work, is a matter of more serious consequence in human terms than even the harsh treatment of corporations. The refusal of the Prime Minister to consider the argument on its merits and to employ a personal attack was an unhappy illustration of the manner in which debate is often used to obliterate an argument rather than to answer it. *The Eastern Economist* differs substantially from Mr. Masani in the point that the Plan should be severely pruned. But his argument that current outlays are inflationary and will weaken the economy and not strengthen it cannot, in the short period, be gainsaid.

It is vital that members of Parliament who with the Supreme Court continue to prove the only major checks on the excesses of the Executive should be supported by the great majority of thinking people in the country. They should applaud fearless criticism and visit displeasure on non-democratic methods, or the assertion of brute authority backed by a docile Parliamentary majority. There was much in this Budget Debate to applaud. The majesty of Parliament, about which the Prime Minister spoke feelingly at the beginning of this session, is beginning to impress itself slowly on those who have foolishly made light of the chosen representatives of the Indian people.

the cost of replacement of obsolete, conventional, weapons by the latest ones which shows that India too is suffering from the same fears, complexes and neuroses she suspects and condemns elsewhere.

What is the major cause of these fears? India has no designs on any country. It has declared, time and again, that tragic as has been the division of the country, she had no intention of cancelling this partition by means of arms. Again, most of her neighbours — Burma, Nepal and Ceylon — do not have any designs on her: they cannot afford to do that due to their geographical and economic limitations. This leaves two of India's neighbours — Communist China and Pakistan. Doubtless, India has reasons to be suspicious of both. Besides professing a proselytizing ideology of world revolution, Communist China's record in Tibet, Burma and South-East Asia is not reassuring. And India has a long common border — stretching from the wild and primitive Nagaland to the beautiful Vale of Kashmir. This border is not only undefined but also indefensible. In the case of a conflict with China, not even ten times the present military potential of the country would suffice to secure the entire land frontier along the Himalayas. India's only chance of survival would then lie in collective security.

Pakistan is the only country with which India has some unsettled scores. The bone of contention between the two at the moment is Kashmir. India's fears have been further whipped up by the military help that Pakistan is receiving from the United States. It will, however, be incorrect to expect that America will either encourage or connive at Pakistan's attack on India. One may well remember in this connection, as Acharya Kripalani recalled, the United States' role in the Suez crisis. It not only unequivocally condemned Britain and France, for their aggression, but also employed economic sanctions against them. And Britain and France are its closer allies than Pakistan. It would not, therefore, be unreasonable to accept the assurance given by the United States that it would not allow Pakistan to use the arms and ammunition supplied to it against India. It is also difficult to see how Russia will allow Pakistan to occupy India without unleashing another

world war. India's safety and security, therefore, lies not so much in its increased defence budgets, but in the atomic stalemate that dictates to the two power blocs an uneasy and the armed, but permanent, truce.

If the worst should come to the worst and Pakistan does attack with the United States assisting it in aggression (a contingency which *The Eastern Economist* believes impossible), the increase in India's Defence Budget by Rs. 25 crores will provide no solution. For the United States assistance could be on a massive scale. Thus, the increase in Defence expenditure will fail to give us security. Meanwhile it withdraws valuable resources from our Plan. It is part of the blindness of the Government of India that it cannot see that its present Defence Budget is irrational. It pays an absurd price for security which in fact it does not obtain.

The Cost of Compulsory Education

THE Fourth Report of the Estimates Committee of the Lok Sabha on the Ministry of Education and Scientific Research has just been released. Its special interest lies in the estimate contained in Appendix VII of the cost of introducing free and compulsory education in the country by the end of the third Five-Year Plan. It will be remembered that Article 45, Part IV of the Indian Constitution, dealing with the Directive Principles of State Policy, reads as follows:

"The State shall endeavour to provide, within a period of ten years from the commencement of this Constitution, for free and compulsory education for all children until they complete the age of 14 years".

The directive principles of policy lay down certain obligations which the State ought to discharge in a modern democracy. It is clear that, although they do not possess the same sanction as the mandatory provisions embodied in the rest of the Constitution, they define the objectives by which State policy must be informed to the extent that is practicable. There is nothing sanctimonious in the time-limit of ten years recommended in Article 45. Actually it coincides with the end of the fourth year of the second Five-Year Plan. It must be interpreted as an exhortation to expedite the programme of compulsory education for children at the cost of the State. Education in this age-group is neither compulsory nor by any means free in the States within whose sphere of responsibility it falls.

What is of the utmost importance, however, is that in a parliamentary democracy based on adult franchise, compulsory education at the elementary stage and upwards is the absolute minimum that is necessary to build up an informed electorate which will be qualified to make a free use of its right to vote. It is still more essential for creating a class of citizens in the adult age-group which will take an intelligent interest in the problems of the State and bring its influence to bear on the administration. Compulsory education up to age of 14 brings in its wake the larger problem of provision of higher education on a comprehensive basis to cater to the needs of an increasing student population in the higher brackets. The Estimates Committee has taken the right attitude that if free and compulsory education cannot be achieved by the recommended

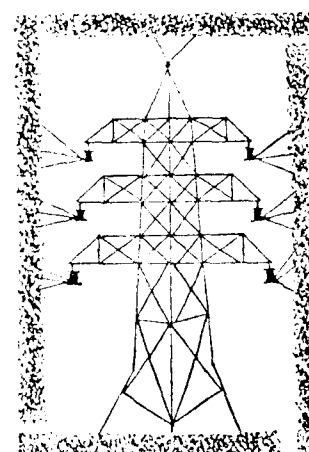
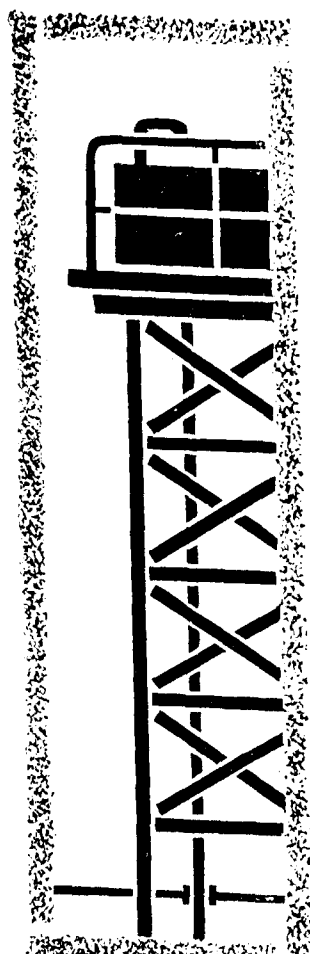
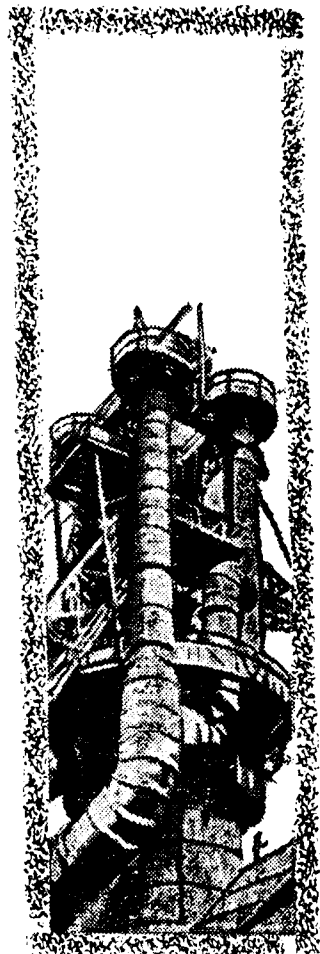
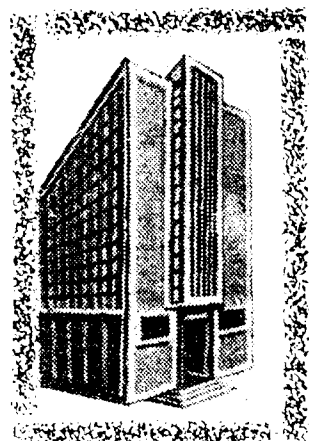
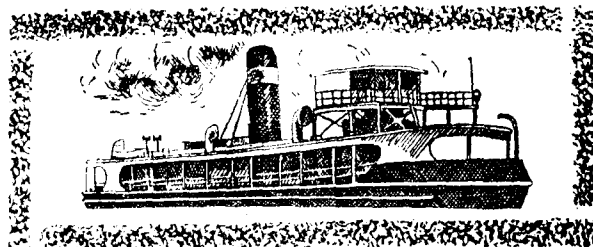
date-line of 1960, every nerve must be strained to achieve it by the end of the third Five-Year Plan in 1966. But in the light of its logical sequence of provision of facilities for education at the levels above, the entire problem calls for perspective planning.

The provisional calculations of the cost of compulsory education in the age-group 6-14 made by the Estimates Committee are quite instructive as revealing the magnitude of this problem. Out of a total number of 4.5 crore children in the age-group 6-11, nearly 3.7 crore or 60 per cent will be on the school registers by the end of second Plan, which leaves 1.8 crore to be provided for in the third Plan. In the next age group 11-14 with a population of 2.7 crores, only 20 per cent will be at the schools by the beginning of the third Plan, leaving a balance of 2.2 crores to be brought on the registers. The total number of children in the overall age group 6-14 who will claim additional facilities for education in the third Plan period will be 4 crores. On a straight estimate, 80 lakh children will need to be provided with education each year.

On the basis of 40 children to a teacher, which is strictly a high ratio, provision for 2 lakh new teachers will be required per year. It is assumed that the non-recurring expenditure per year per batch of 40 children will be Rs 1,400. Assuming that the total monthly emoluments of a teacher are placed at Rs 90, the recurring expenditure will be Rs 1,080 per teacher per annum, plus Rs 150 on other items, or Rs 1,230. The non-recurring expenditure for 2 lakh batches, comprising 80 lakh additional children to be brought on the school registers each year, will be Rs 140 crores for the Plan period at a flat rate of Rs 28 crores per annum. The recurring expenditure over the five-year period, computed on a cumulative scale, will be of the order of Rs 375 crores. The aggregate outlay on these two counts will come to Rs. 515 crores. Another Rs 155 crores will be absorbed in consequential outlay on the inspection staff and so forth. Allowance must be made for an additional item arising out of the transfer of liability for expenditure from the guardian to the State where free education does not exist at present. The sum total adds up to Rs 700 crores.

This figure of Rs 700 crores over five years is not so massive as to be beyond the range of pos-

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THE WEEK'S NOTES

ON THE LANGUAGE QUESTION AGAIN

MR. NEHRU once observed: "Language is both a binding force and separating one and we have to be very careful in the matter of languages in India lest in our enthusiasm we might encourage disruption." How wise and prophetic was this statement is evident from the recent developments in the country. Official and non-official attempts to make Hindi the official language has aroused the antipathy of those belonging to the non-Hindi speaking regions. Mr. C. Rajagopalachari as the spear-head of the anti-Hindi campaign and Mr. Ghansham Singh Gupta as the leader of the pro-Hindi agitation in the Punjab only symbolize points and counter-points in this division of the Indian people over the language issue. Mr. Rajagopalachari succinctly summed up the situation prevalent in the country when in his address at the All-India Languages Conference in Calcutta, he said, "God alone knows what will happen if Hindi was pushed like that".

We do not claim to know the future any more than Rajaji does. But one thing appears certain: if the collaborators of Rajaji and the followers of Mr. Gupta persist in their respective paths, the future of this country is far from reassuring. For this the supporters of Hindi must accept part of the blame. Rather than give time to non-Hindi speaking people to learn and master Hindi and overcome the handicap they feel in the matter, they want to force the pace of Hindi's introduction as this country's 'lingua franca'. The plea that Hindi is the language of the biggest language group in India makes matters worse. It helps to conjure up among the opponents of Hindi the fear of the domination of the Hindi speaking area over the rest of the country. At the Calcutta conference Master Tara Singh expressed this apprehension unequivocally. "The conquering Muslims", he observed, "imposed Persian and Arabic on us and the conquering British imposed English. Now, the Hindi-speaking people are trying to impose their language because they are more numerous than any other language-group in the country." Though he put it differently Rajaji also voiced the same feeling when he remarked that a secular State should have secular language as its official language.

Whether the fears of the non-Hindi speaking people are well-founded or not is beside the point in this context. What is relevant, and important, is that a sizable section of the population has ranged itself against the adoption of Hindi as the official language in 1965 or even in 1990. They are even opposed to according any special status to Hindi as against the other languages listed in the Eighth Schedule of the Constitution. Realism demands that both these facts be taken into consideration. It would, therefore, be advisable to consult the legislatures of all the States on how and when, if at all, Hindi should come to replace English as the official language. This course needs to be taken before the anti-Hindi campaign spreads further.

REVOLT IN INDONESIA

THE GOVERNMENT of Indonesia last week started full-fledged military operations against the rebels, who had formed a parallel Government, early this year. Though the Indonesian Government's forces have captured the important city of Pankanbaru and are now poised to attack Pedang, the rebel headquarters, there does not appear to be in sight a quick end of the rebellion. Dr. Subandrio, Indonesian Foreign Minister, has admitted that the Government may take months

to crush the rebellion, for the insurgents had been preparing for a year. He was, however, confident that the Government would "smoke out the rebellion which is not the first of its kind". But he has deliberately glossed over or suppressed the difference between the present revolt and the previous uprisings. While the latter were usually no more than local affairs, the present rebellion seems to enjoy the blessings of some outside powers. The discovery of large quantities of illicit arms and ammunition of foreign origin in Pankanbaru puts this beyond doubt. Besides the discovery of foreign arms, Mr. Dulles' remarks — that "the United States would be happy to see non-Communist elements in Indonesia who are really in majority there and exert a greater influence than has been the case in the past" — seems to strengthen the conclusion. Reports have even been circulated to the effect that America is considering the granting of "belligerent status" to the rebels. If this is done, it will surely arouse the now gradually dimming anti-Western neurosis in Asia and Africa, with its inevitable consequences.

The present struggle for power in Indonesia originated with the demand for greater autonomy by Sumatra and other islands so that they could utilize their local initiative, enterprise and resources to build up regional economies. Their demand is justified to a large extent. While nearly 80 per cent of Indonesia's foreign exchange is earned by the outer islands of Sumatra, Borneo and Celebes, they receive only 10 per cent of the country's imports. Their demand for regional autonomy has, however, been complicated by ideological issues raised by Dr. Soekarno's introduction of "guided democracy" which resulted in the association of Communist with the Government of Indonesia. This ignited a revolt nearly 18 months ago. It would be pointless to condemn the rebels for not relying on normal democratic procedures to reverse the President's policy, when the present Indonesian Government itself has come into being not by democratic means but by his fiat. Only a rapprochement between Dr. Sukarno and Dr. Hatta could have saved the situation. But such a rapprochement seems now to be beyond possibility. The two leaders represent irreconcilable ideologies. While Dr. Sukarno represents militant left-wing nationalism, Dr. Hatta represents moderate right-wing nationalism, which is anti-Communism. There seems, therefore, no visible chance that the crisis will pass off in the near future. It will, on the other hand, further complicate matters by engendering more bitterness between the peoples of Sumatra and Java. The only advisable course for Dr. Sukarno and the Indonesians seems to revert to the democratic process. Neither "guided democracy" nor armed revolt will solve the problem.

ELECTION IN THE SUDAN

THE SUDAN'S first general election after two years of independence has, not unexpectedly, secured for the Umma Party the leading position in the House of Representatives. It has increased its strength from 53 to 68 in a House of 173, though the Umma Party has failed to win an absolute majority. As its relations with the People's Democratic Party have improved of late, a coalition Government of the two parties is assured. What seems to have helped the Umma Party to increase its strength was Egypt's claim to disputed frontier areas north of the 22nd Parallel on the eve of the Sudanese elections. This is also reflected in the decreased strength of the pro-Egyptian National Unionist Party which has managed to scrape no more than 47

seats. The election results have, thus, shown that the voters' prime leanings are, not unnaturally, anti-Egyptian. Even the National Unionist Party will, therefore, have to give up, willy-nilly, its pro-Egyptian bias in sheer self-preservation.

For Cairo the results are manifestly frustrating, since the Sudan had long been looked upon as a tantalizing prize. The Sudan is the ninth largest independent country in the world and the largest in Africa with possibilities of enormous developments—and with only a million of population. Egypt tried to pocket it towards the end of King Farouk's reign when efforts were made shortly before the end of the Condominium to proclaim him the King of Egypt and the Sudan. Only last month, Cairo's avid desire culminated in the crowning folly when it demanded the cession of some areas of the Sudan as it was about to go to the polls. Unless, the Western Powers now behave unwisely and help Egypt to arouse pro-Arab hysteria, there is not even a remote chance for Egypt to get a foothold in the Sudan. It is already on the cards that the new Sudanese House of Representatives, which is also to act as the Constituent Assembly of the country, will, once for all, declare the sovereignty and integrity of the Sudan as inviolable. If it even then renews its old demand on the Sudanese territory, Egypt will only further estrange its relations with Khartoum.

The new Sudanese Government will have to solve some knotty domestic problems. It will have to plan the development of the country in consonance with the steady rise in population, the utilization of Nile waters without exacerbating Egyptian feeling, and to persuade the Tribal South to give up its demand for near-independent political status. It is, no doubt, to the credit of the present ruling party that the old rift between

the Muslim North and the Tribal South has not been reflected in the results of the elections to any marked degree.

A POINTLESS MOVE

THE SOVIET UNION has rejected the United States suggestion to resume disarmament negotiations within the framework of the United Nations. The United States had proposed, after consultation with a number of other members of the United Nations, that a meeting of the enlarged Disarmament Commission be held in pursuance of the General Assembly's resolution. Russia has asserted that the only proper forum for such talks at this time is a summit conference. It is even opposed to the consideration of disarmament proposals on a procedural basis by the Security Council. The Soviet Union's boycott constitutes a clear flouting of the last year's resolution of the United Nations General Assembly calling for resumption of the discussion on disarmament.

The Soviet refusal casts serious doubts about Kremlin's professed desire to ease international tension. These doubts are confirmed by the fact that Russia made public its statement before its representative, Mr. A. Sobolov, conveyed his government's position officially to the United States' representative at the United Nations. Despite the Soviet refusal, the United States has decided to convene a meeting of the Disarmament Commission. This is obviously a propagandistic move, and utterly pointless. Surely, no discussion on the subject can be fruitful without Russia's participation. After all, neither will the decision of such a conference be binding on Russia, nor can America afford to decide on unilateral disarmament.

POPULATION REVIEW

Biannual Journal of Asian Demography

Editor: S. Chandrasekhar

January 1958

Vol. 2, No. 1

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A Window on the World

NO MORE STERLING CRISES?

By
ODYSSEUS

THE COHEN REPORT on money, credit, wages, and inflation, has re-inforced the official view that inflation continues to threaten the UK's economy and that what is needed is harder work, higher productivity, and a standstill in wages, so that, more goods being chased by less money, prices cease from creeping upwards. As it is useless to try to conceal the fact that I am not one of the Common Men to whom this century belongs, but that I must be listed among the bourgeoisie to whom (regrettably) the last century belonged—Query: Will there be anyone left for the 21st century to belong to?—I confess my sympathy for the currently held official view in the UK, which, indeed, I can modestly claim to have done something to propagate.

That, however, must not prevent me from drawing your attention to the interesting qualifications to the official view promulgated by Mr. Roy Harrod (biographer of Keynes), notably in the February Journal of the Institute of Directors (10 Belgrave Square, London S.W.1.).

Mr. Harrod is not pessimistic about the UK's economy. He recalls that the exchange crisis of August-September, 1957, was caused by a widespread belief abroad that Sterling was likely to be devalued. These fears primarily originated in the idea, somewhat thoughtlessly proclaimed by a number of British financial journalists and economists, as by others outside the UK, that the German mark ought to be up-valued. But as Germany had a dollar deficit, the Germans understandably retorted that there was no question of up-valuing the mark against the dollar. They were, however, ready to consider the possibility that the mark might be up-valued against other European currencies. This was held to be of some urgency, since the prospect of a European Common Market made it necessary that all European currencies should be correctly aligned with each other. It would not be possible for the German mark to remain stationary in relation to the dollar and yet be up-valued against European currencies, unless Sterling were devalued against the dollar. As the British themselves seemed to favour an up-valuation of the mark, European traders and bankers thought that they might agree to a devaluation of Sterling against the dollar as the British contribution to an adjustment of the disequilibrium in the currencies of Europe. It was assumed that these were the questions to be discussed at the annual meeting of the International Monetary Fund at the end of September.

If it were true that Britain might agree to these arrangements the obvious tip, straight from no less authoritative a source than the Sterling racing stable itself, was to sell Sterling and buy marks. This, of course, is "speculation", anathema in this age of the Common Man, because it is assumed that speculation is money for nothing. Comrades, let us get this clear: when you hear anyone asserting that money can on any occasion be had for nothing, you are in the presence of some elderly character whose economic knowledge has not advanced beyond Karl Marx, "Das Kapital", 1867 and All That. Outside the rose-tinted pages of "Das Kapital", in the world of cold reality, money can only be earned. Speculators may be performing at least two services: they may either be protecting funds in their charge—the reserves of a company or perhaps

the investments of insurance policy holders—or they may, by taking a view, be helping to iron out the fluctuations of the market and thereby performing the valuable service of reducing its risks. In either case their activities constitute a practical warning to governmental and financial authorities to re-examine their policies.

WERE JARDINE MATHIESONS "UNPATRIOTIC"?

While we are talking about speculators, let us reflect on the situation of Jardine Mathieson's Hongkong office last autumn. This firm holds substantial liquid funds. It was criticised at the time of the Parker enquiry into the alleged British bank rate leak for its "unpatriotic" readiness to transfer these reserves from Sterling into dollars. But if an event is feared which would inflict losses on a business and its shareholders, is it the duty of those in charge to take no action and calmly to resign themselves to loss? How would it have benefited the UK if, as a result of remaining in Sterling, Jardine Mathieson's earning capacity had been reduced? It is not, I submit, the duty of individual traders to inflict "patriotic" losses on their businesses and investors. It is their duty to take any lawful action to avoid them. On the other hand, it is the duty of governments to pursue policies which maintain the value of currencies and which do not create for individuals these apparent conflicts of loyalties.

The upholders of 1867 and All That always assume that speculators make money. The Sterling crisis of 1957 was a large scale demonstration that those who commit errors of judgment under a system of free enterprise must take the consequences: they cannot avoid their responsibilities by passing their losses on to the tax payers (or to policy holders, as in the case of nationalised life insurance corporations).

In August-September, 1957, in addition to speculative movements, changes in the leads and lags of trade payments occurred. In these circumstances, it was common sense to make advance payments on account of debts in German marks and to withhold to the latest possible date payments due in Sterling.

In addition, the fall of the French franc compelled traders and bankers to assess the comparative economic strengths behind all other currencies. They feared that one currency might upset the others like ninepins. Sterling became suspect. European traders and bankers (i.e. none others than those known to elderly statesmen as "speculators") believed that the UK had been especially subject to inflation. This was not in fact correct, since the rise in wages and the cost of living had recently been slightly greater in the USA and Germany. But the British authorities had been trying by public exhortation to get more moderation in wage demands. It cannot be denied, says Mr. Harrod, that this was desirable. Wage increased had been exceeding productivity increases, and the mere fact that this had been going on in other countries also was not a reason for the British to tolerate it. Foreigners formed the impression that British wage increases had got out of hand since 1955 and might cause another devaluation.

These were misconceptions. International Monetary Fund statistics (I.F.S., November, 1957, p. 40) show that

British export prices have risen less since 1937 than those of any other important country. If the UK has not kept pace with US exports, that may be because it has not been producing enough of the kind of goods demanded or to unduly long delivery dates.

If we compare the UK's low export prices with the increase in weekly wages, we find, after making an allowance for the increase of productivity per man, that wages have increased on average less than the export prices, so that the UK has here a second margin of advantage.

STERLING'S REAL STRENGTH TODAY

Mr. Harrod does not argue that the campaign for reducing wage increases is misjudged. Sometimes the amount of the weekly wage is geared by a formula to the official rate, so that a rise in the official rate, automatically carrying the amount of the wage up with it, could create difficulties for some exporters. Furthermore, wage increases exceeding the increase in the gross domestic product must cause a rise in the cost of living, which the British are anxious to avoid. But Mr. Harrod's basic point is that some further excessive wage increases, though undesirable on general grounds, would not force the UK to devalue.

Foreigners, remembering British protests that there would be no devaluation in 1949, remain sceptical before similar protestations today. But the facts of 1957-58 differ from those of 1949. If the UK does not want to devalue, nothing can make it do so today. At the end of 1948 Sterling balances held outside the Sterling area exceeded the UK's gold reserve by £600 million; in mid-1957, however, the UK gold reserve exceeded Sterling balances held outside the Sterling area by £200 million. The UK could today pay off all the externally held balances and have gold left over. Thus, if all foreigners wished to get rid of their Sterling—which is impossible because some need to hold it for trading purposes—

the UK could not only maintain the rate at \$2.80 but also the present 'de facto' convertibility within one per cent of that rate.

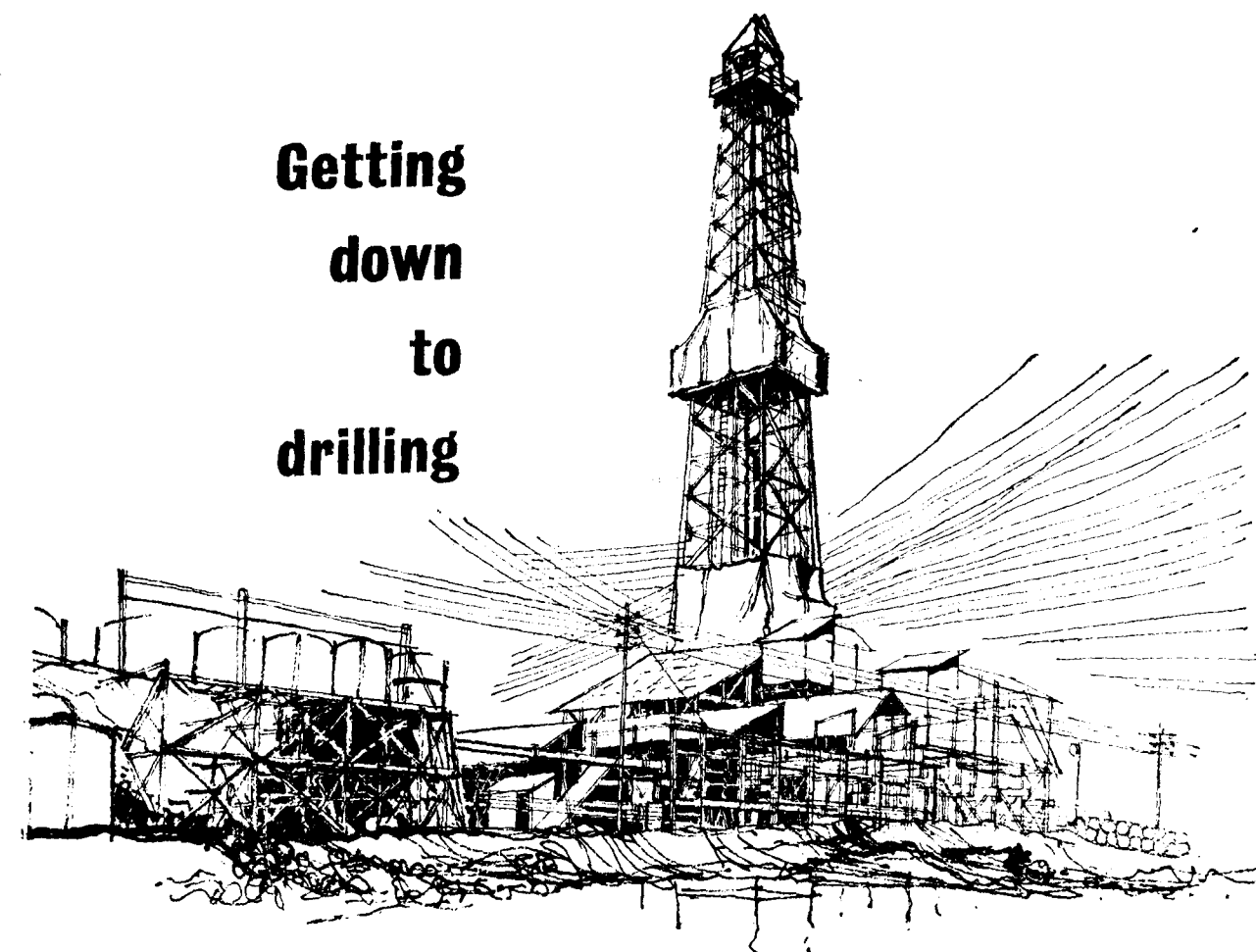
If a deterioration on the UK's current account were to cause trouble (as it could if a world recession were to develop), the UK authorities would shun devaluation at all costs because it would worsen, not improve, their current balance of trade, and it would fan the flames of internal inflation, which they are fully committed to extinguish. Although import restrictions might be imposed as a last resort, they would be preferred to devaluation.

These are the reasons why it is certain that Sterling will not be devalued. There were, therefore, no valid grounds for last August's run on Sterling, except that foreigners did not understand the true position and, adds Mr. Harrod, it seems that many British financiers did not understand it either.

The record of British production and exports since the war has been good. Given the devaluation of 1931 and 1949, wage increases have not been immoderate. The UK balance of payments is not as good as the UK would like it to be, but it is remarkable that the volume of the UK's exports has risen by 91 per cent since 1936-38 and that the increase in imports has been held down to 13 per cent. The lead of exports over imports needed to offset the deterioration, consequent on the war, in the UK's invisibles and terms of trade. If this lead continues, the UK's external position will become progressively stronger.

The UK's weak spot is its external commitment on account of the Sterling balances, which makes the UK vulnerable to shifts in foreign opinion. These balances are now, however, down to a low level and Mr. Harrod concludes that it may be that the crisis of September, 1957, is the last one of this sort that the UK will experience as an aftermath of the war.

Getting down to drilling



The oil driller's derrick looks imposing and strange as it stands silhouetted against the sky, but it is merely a sturdy steel support for lowering and raising jointed lengths of heavy pipe into and out of the well during the drilling operations.

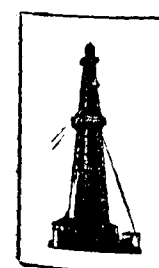
In modern drilling, a sharp-toothed bit is first attached to a length of steel pipe called the drill pipe. The drill pipe, held vertical by a giant block and tackle system in the derrick, is lowered into a pilot hole and revolved by means of a turntable on the derrick floor. The turntable is rotated by powerful engines behind the derrick. As the pipe is turned, the bit cuts a hole in the earth's rocks and lengths of drill pipe are added as the hole becomes deeper.

When the bit becomes worn the entire length of drill pipe must be removed, unjointed, and stacked in the derrick. After the new bit is

attached the pipe is joined together and drilling begins again.

All during drilling, specially-prepared mud is pumped down inside the drill pipe. It passes through perforations in the bit and is forced back to the surface outside the drill pipe. This mud has many useful functions. It flushes rock cuttings back to the surface for examination, cools the bit and plasters the walls of the hole to prevent them from caving in. As drilling progresses the hole is lined with successive lengths of steel pipe called casing.

An oil well has been drilled to a depth of four miles, but a 10,000 foot well is still considered deep. Drilling at such depths is an extremely delicate operation, requiring great skill and long experience. Only by drilling, however, can the oil prospector prove the presence of mineral oil.



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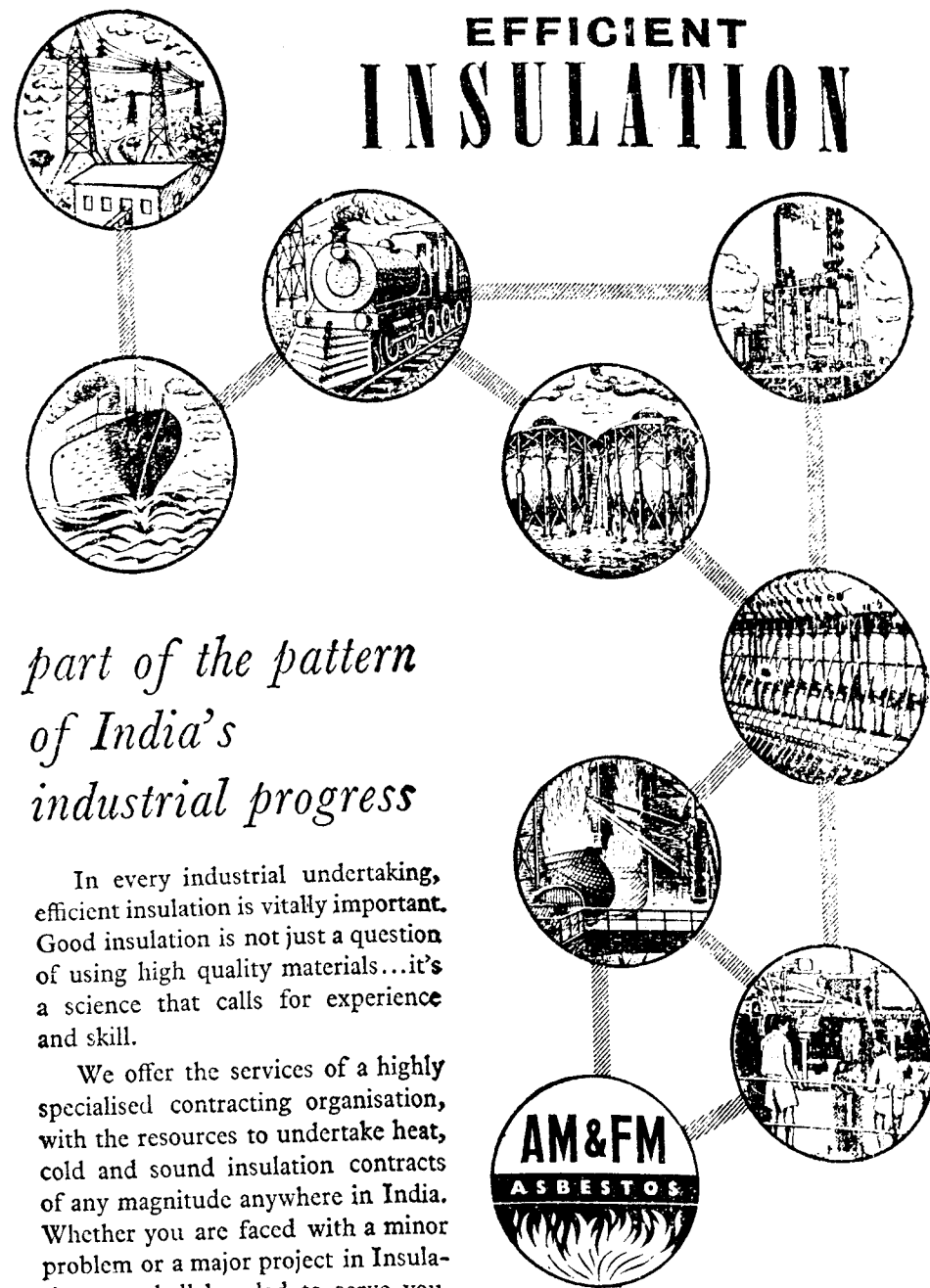
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A WEST MEDITERRANEAN COMMUNITY

(From Our Special West European Correspondent)

PARIS, March 16.

THE idea of a Mediterranean pact, which was suddenly revived by the French Premier last weekend, was first put up in 1947 by the Turkish Government, was then taken up by Syria and from 1952 onwards was vigorously supported by the Spanish Government. Interest in this vague project has been intermittent. Francoist advocacy of its advantages was at its height in 1956 (when your correspondent wrote on it from Spain), and there was a temporary revival of discussion in 1957 during the King of Morocco's Mediterranean cruise. The fundamental idea of the pact has always been simple, not to say simple-minded: let the nations around the Mare Nostrum form a club that excludes the biggest powers and within which a solution might be found for the problem of Arab nationalism. Thus the project was in essence anti-British (hence the sporadic interest of Greece, Italy and Spain) and was based on the nebulous hope that the minor European powers on the northern shores of the sea could make a better job of securing Arab friendship than have the Anglo-Saxon countries. All the Latin countries and Greece flatter themselves that they know a secret way to the Muslim heart that is forever closed to the blustering Northerners.

The project has never got far because it was wrecked on the obvious fact that, although Anglo-Saxon interference and big-power rivalries might indeed exacerbate Mediterranean quarrels, those quarrels exist independently. The Mediterranean pact, far from assisting in their settlement, presupposes that they be settled beforehand. This is now quite plain as far as concerns the eastern part of the Mediterranean; there can be no pact that includes both Egypt and Israel. So in its revived form, it is restricted to the western basin and has lost its anti-British bias so far as to include the suggestion that Britain actually join the pact, which in any case could only be concluded under the high patronage of the USA.

Even in its limited form, the suggestion remains hopelessly vague and unrealistic. That France should suggest it just when the Algerian war is at its worst, when relations with Tunisia are only possible through Anglo-Saxon mediation and when Spain and France are co-operating in a petty war on Morocco's southern frontiers, at once reveals its absurdity—all the more because the project makes no mention of Algeria's future status, although this is as important to the western Mediterranean as the future of Israel is to the eastern. However, it is not very clever to see all that at a glance. The authors of the project must have known of these obstacles as well as you and I. We should do them the credit of suspecting that they have something else in mind. Until we are clearer on what this something else is, it would be as well to restrain the reaction that has now become automatic in New Delhi at the mention of any proposal for a military pact or alliance anywhere in the world.

To declaim against the general evil of military blocs would be irrelevant in this case, even though M. Gaillard presented his plan as specifically a defence pact. For his proposal is militarily meaningless. Libya and Tunisia have no armed forces to speak of, the

European members are already included in NATO, except Spain which is connected with Western defence through the Iberian Pact that groups her with Portugal and the USA. Militarily, the only result of the institution of a west Mediterranean defence community would be to bring Moroccan troops more directly into the western orbit (although Morocco is already full of American and French bases) and to circumvent socialist objections to working in co-operation with the Francoist regime. This would not be a very significant result and would not alter the balance of armed power, in this region or in the world, one whit—least of all because, to allay Russian suspicions, the USA would probably not play any direct role. (Pact or no pact, the US Sixth Fleet dominates the Mediterranean.)

If the latest form of the proposed Mediterranean alliance has no military value and if it tacitly abandons the theory that Mediterranean quarrels can be settled without Anglo-Saxon interference, it retains the other basic feature: it is put up as a framework within which Arab nationalism, in this one region, can find expression otherwise than by breaking with the West. Thus it is intended to have some utility or relevance in regard to four problems that now preoccupy the Western extremity of Islam: the Algerian war, the question of the unity of the three North African states, the relation between France and these states in the exploitation of the wealth of the Sahara, and finally the hope of finding a counter-magnet to the pull of the United Arab Republic. (This latter is of course as important to Mr. Bourguiba and the King of Morocco as ever it could be to Washington.)

Now, naturally, the French Government cannot imagine that all the nations in this region are going to fall quickly into agreement about these four pressing problems. In particular, it cannot believe that Tunisia and Morocco are going to sign up for an alliance that includes Algeria as a purely French province. We come back to our supposition that Paris has something else in mind. Suggestions on what this is have not been wanting inside and outside France. They fall in to two classes, which happen to be contradictory. The British press and the Communist press in East Europe have been in unexpected and complete agreement: the whole idea is to implicate as many other nations as possible in the maintenance of French privileges in Algeria, to create a diversion from the worsening of the Algerian war, and to secure North African acquiescence in France's dominance in Algeria by making some make-believe concessions to Algerian autonomy.

The other interpretation, put forward both by the Right and the Left opposition in France, is that on the contrary this is a scheme to hoodwink the French public by granting Algeria virtual independence but covering this up under a make-believe alliance that seems to guarantee French positions in North Africa. For instance, Professor Duverger (who is the most dangerous of the liberal critics of the Lacoste regime) wrote this week in 'Le Monde' of the Mediterranean pact: "It seems designed above all to make the French swallow the bitter pill of Algerian autonomy by wrapping it up in so many precautions, so much deception and so much trickery that French opinion will, it is hoped, let itself be deceived".

It is probably impossible to choose between these two interpretations. In fact, it is quite likely that the

authors of the project do not know themselves which is true, that they know only that their policies to date have led to a dead-end and that they have to blunder about for a way out without knowing where it leads. In any event, it might not matter which is true: in politics intentions matter less than consequences. And the one certain consequence of this project is that the Algerian problem is once and for all internationalised. That can only lead to good—not for France, who will inevitably be forced by internationalisation to surrender her extreme positions in Algeria, but for Algeria and North Africa. Internationalisation of the Algerian question, however limited and whatever Paris hopes to gain from it, can only serve to bring nearer an end to the Algerian war. Any hope that other countries can be led to endorse present French policies in Algeria (even supposing such hopes are entertained here) must be disappointed. Neither Italy nor Spain have any more interest in the continuation of the Lacoste war programme than Morocco or Tunisia.

It is quite unlikely that M. Gaillard's suggestion for a west Mediterranean defence community will ever ripen into reality. But in spite of its absurdity, it is a move in the direction of a settlement in Algeria. Any discussion, however fruitless from the point of view of the establishment of an alliance, that brings France to the same table as half a dozen other nations all anxious for an end to the North African war must serve a useful purpose. The only possible solution to

the Algerian problem, the one that has been urged on this page (as well as in a hundred other places) for years past is some sort of union that includes France and the two North African states that have been granted independence by the French Government. If Paris is now groping toward such a solution that is a good thing; if she has broadened the scope of the proposed union to include other European powers, then she will be the only loser.

It is a staggering example of French folly that for years Paris should reject offers of limited internationalisation of the Algerian problem, offers which concerned only herself, Morocco and Tunisia—and in the end should come up with a plan that virtually accepts that solution but also opens the door to Spanish and British intrigue in North Africa. Spain and Britain have everywhere and always sought every opportunity that lay within their reach to oppose French policies in the Arab world. Morocco and Tunisia, on the other hand, have shown their willingness over the past few years to co-operate with the French in North Africa once Paris agreed to more liberal policies in Algeria. It shows a curious conception of national interest that one should spurn (and bombard!) potential friends while opening the door to traditional rivals. This foolishness apart, the overriding French interest at present is for an end to the Algerian struggle, and if the proposal for a Mediterranean pact helps bring this nearer then it is a case where even the most doctrinaire opponents of pacts and alliances might usefully suspend criticism.

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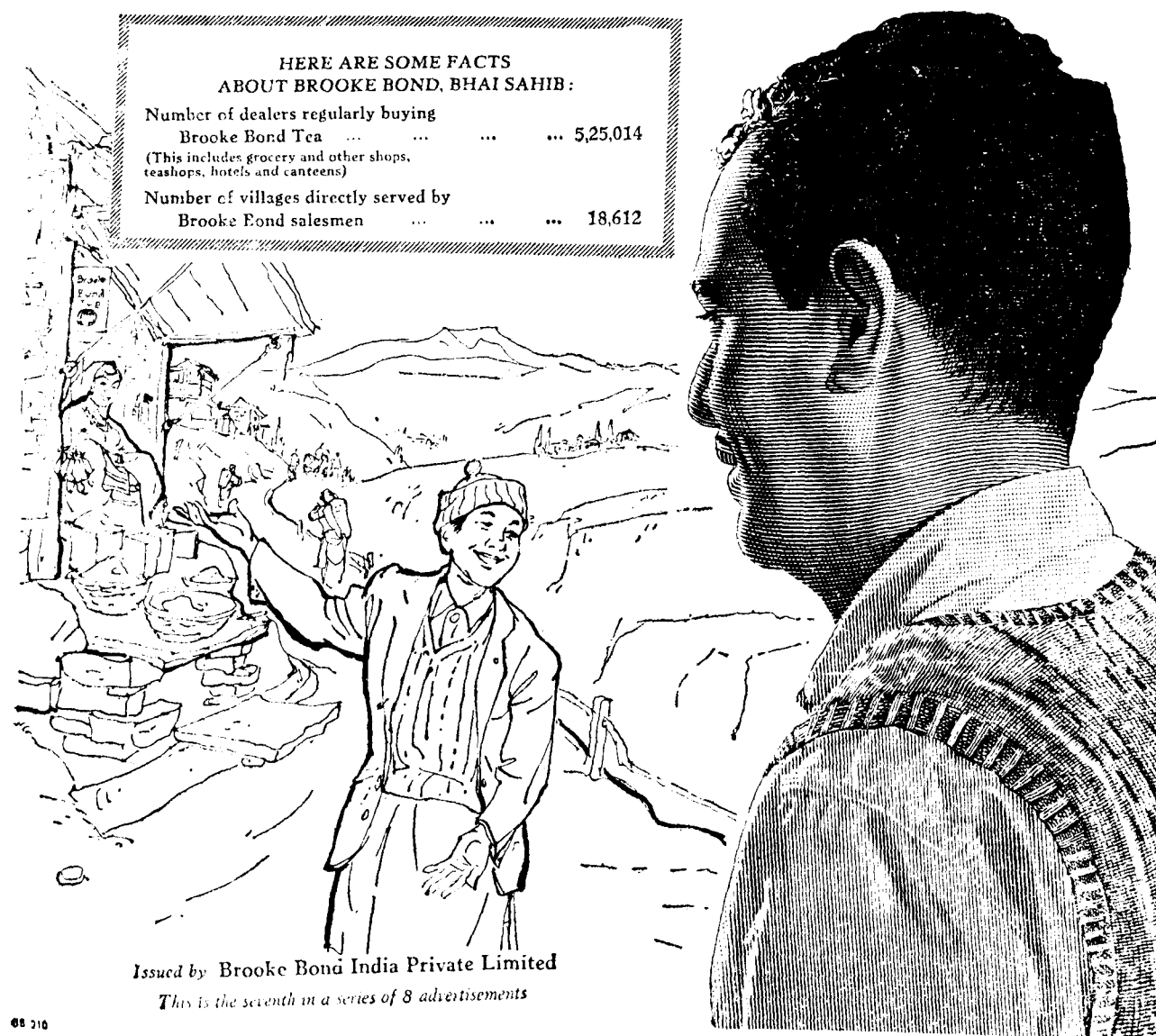
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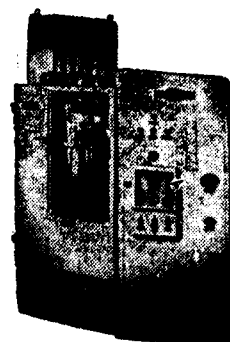
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WORLDGRAM

AGRICULTURE

Ratooning Jowar: Following the release of short-duration jowar strains, farmers in Coimbatore district of Madras State have been able to raise a ratoon crop of jowar with profit. 'Co. 12,' one of the new strains released, has a duration of 65 days, and 'Co. 13,' another one, of 90 days. In the District, irrigated 'vellai cholam' (jowar) is usually sown by the middle of March and harvested in June. The succeeding crop is sown during August-September. To raise a ratoon crop, the sowing date is advanced to the third week of February and the crop harvested by about the third week of May. Six inches of stubble is left on the field and is given an irrigation. The stalks of the ratoon crop are thin and the plants a little shorter than those of the original crop. The ratoon crop matures in 70 to 75 days and is harvested by about the last week of July. The economic practice of raising a jowar ratoon is being followed by farmers who are able to plough and prepare the land for planting the cotton crop during the first half of August.

Irrigated Areas in States: Shri S. K. Patil, Minister of Irrigation and Power in a written reply to a question by Dr. Ram Subhag Singh said in the Lok Sabha that there had been a short-fall in irrigated areas in 1956-57 in Kerala State and Uttar Pradesh, and a short-fall had been reported in Uttar Pradesh in 1957-58. Information from other States was being collected and would be placed on the table of the House. The causes of the short-fall were: (i) **Kerala:** Branch channels and distributary systems in Kerala could not be completed on account of delay in land acquisition and (ii) **Uttar Pradesh:** Due to heavy rainfall, the demand for irrigation was slack and, moreover, most of the projects were completed either in the last year of the first Plan or first year of the second Plan. He added that in Kerala vigorous steps were being taken by the State Government to bring as much area as possible under irrigation (a) by instructing and assisting cultivators to convert their lands into paddy growing fields and (b) by providing cuts in channels to ensure that the paddy fields receive irrigation water in time.

C.D. & N.E.S. Programme in Kashmir: Rs. 3.59 lakhs loan and Rs. 16.30 lakhs as Grants were given to Jammu and Kashmir State during 1957-58 for the Community Development and National Extension Service programme, stated Shri S. K. Dey in a written reply to a question by Shri D. C. Sharma in Lok Sabha recently.

INDUSTRY

Scheme for Running Oil Extracting Industry on Co-operative Lines: On the recommendations of the Oilseeds Crushing Industry Inquiry Committee, it was decided that the cotton-seed crushing industry should be developed on co-operative lines exclusively so that the growers might get a better return. This was stated by Shri A. P. Jain, Union Minister for Food and Agriculture, in a written reply to a question by Shri Nawab Singh Chauhan in the Rajya Sabha recently. Shri Jain added that the State Governments were advised of this decision, and asked that schemes to develop the industry on co-operative lines should be framed.

Upward Trend of Industrial Production: Shri Manubhai Shah, Minister for Industry, told the Lok Sabha, that the general upward trend of industrial

production had been maintained in the second half of 1957, although consolidated figures of production for the period were not yet available. Mr. Shah revealed, industrial output during July-December 1957 had not come down in comparison with that of the first half of the year. There were certain items, however, particularly of consumer goods industries, where production had declined in some cases. The average monthly index of industrial production for January-October 1957 had been nearly 148, while the annual index of industrial production for 1956 was 133.

Plant to Make Raw Film to be Set Up: Shri Morarji Desai, Minister for Commerce and Industry, informed the Lok Sabha that it had been decided in principle, with the concurrence of the Planning Commission, to set up a plant for manufacturing raw film and other photographic materials. No final decision had yet been taken about the selection of a site for the proposed plant. Preliminary data relating to a site near Ootacamund had recently been received and were under examination.

Construction of Bhilai Steel Plant: The Government of U.S.S.R. had agreed that in addition to the cost of the main plant and equipment amounting to about Rs. 63.1 crores which was already being supplied under credit, the cost of training of engineers and technicians in U.S.S.R., would also be included in the credit under the main agreement, declared Sardar Swaran Singh, Union Minister of Steel, Mines & Fuel, in the Rajya Sabha. The Minister who was replying to Shri Maheswar Naik, added that the Secretary to the Department of Iron and Steel who visited the U.S.S.R., discussed the possibility of obtaining further relaxation in the terms of payment. Under the agreement of February 2, 1955, with the Government of U.S.S.R. added the Minister, only the main plant and equipment was to be supplied on credit repayable in twelve equal annual instalments, interest being at 2½ per cent. Cost of training engineers and technicians and cost of a number of stores, other than the main plant and equipment, were to be paid for in cash.

TRADE

Special Payment Arrangement between India and Poland: Letters were exchanged in New Delhi recently between Shri D. Sandilya, Joint Secretary, Ministry of Commerce and Industry, and Mr. S. Strus of the Ministry of Foreign Trade of the Polish People's Republic setting out a special payment arrangement. The Polish People's Republic has offered to supply essential machinery for mining, drilling, road building, textile machinery, complete plants, cranes, tractors etc., while India would export industrial raw materials such as iron and manganese ore, mica, consumer goods such as tea, tobacco, hydrogenated oils, leather goods, cotton, woollen, silk and art silk textiles, handicrafts and cottage industry products, soaps etc. under the new payment arrangements. The Narodowy Bank Polski of the Polish People's Republic will open a Special Trade Development Account. Contracts for the import of essential machinery from Poland would be registered with the State Trading Corporation and rupee proceeds would be credited to the Special Account and be utilised only for payments for exports from India of specified commodities. This arrangement is in addition to the Trade Agreement concluded in April 1956, and will remain valid till December 31, 1959. It is expected to lead to a substantial development of trade between the two countries to their mutual advantage.

Foreign Trade of India in November 1957: The provisional figures of foreign trade of India by all routes i.e. sea, air and land, on private and Government accounts during November 1957 according to data so far available in the Department of Commercial Intelligence and Statistics, Calcutta, are as follows: **MERCHANDISE:** excluding transit trade of Pakistan and other overland foreign countries viz. Nepal, Tibet, Sikkim and Bhutan: Exports Rs. 58.73 crores, re-exports Rs. 23 lakhs, imports Rs. 78.17 crores; Total trade Rs. 137.13 crores. **TREASURE:** Exports (including re-exports) of currency notes Rs. 38 lakhs, others negligible. Imports of gold Rs. 48 lakhs, currency notes Rs. 2.36 crores, others nil. **BALANCE OF TRADE:** The merchandise import figures are exclusive of the value of certain consignments of Government stores awaiting adjustment. Subject to this deficiency in import figures, the total value of exports (including re-exports) of merchandise and gold fell short of imports by Rs. 19.64 crores.

FINANCE

Reduction in Excise Duty on Cotton Fabrics: The reduction which has been announced by the Government of India in excise duty on cotton fabrics is as follows:

S. No.	Description	DUTY	
		Existing effective rates nP.	Reduced rates nP.
1.	Cotton fabrics, superfine	25.0	22.0
2.	Cotton fabrics, fine	18.75	17.0
3.	Cotton fabrics, medium:		
	(a) Dhories and sarrees	9.375	7.0
	(b) All other sorts	9.375	9.0
4.	Cotton fabrics, coarse:		
	(a) Dhories and sarrees	3.125	3.0
	(b) All other sorts	9.375	6.0

The compounded rates of basic duties in respect of powerlooms producing cotton fabrics are also reduced as follows:

S. No.	Description	Duty per loom, per shift, per month	
		Existing rates Rs.	Reduced rates Rs.
1.	Where more than 50 but not more than 100 powerlooms are employed	100.00	80.00
2.	Where more than 24 but not more than 50 powerlooms are employed	75.00	60.00
3.	Where more than 9 but not more than 24 powerlooms are employed	40.00	35.00
4.	Where more than 4 but not more than 9 powerlooms are employed	30.00	25.00
5.	Where not more than 4 powerlooms are employed	Nil	Nil

There are no changes in the existing rates of additional excise duties.

Investment of Provident Fund Accumulations: Accumulations in the Employees' Provident Fund are invested every week through the Reserve Bank of India in Central Government securities. The pattern of investment is: National Savings Certificates—10 per cent; Medium-dated securities—20 per cent and long-term securities—70 per cent. This was stated by the Union Deputy Minister for Labour, Shri Abid Ali, in Lok Sabha recently in a written reply to a question by Shri M. L. Dwivedi. Shri Abid Ali added that Rs. 34.08 crores had been invested in Government securities and National Savings Certificates up to January 31, 1958. In addition, the Fund had securities amounting to about

Rs. 7 crores transferred by units under paragraph 28 of the Employees' Provident Funds Scheme, 1952.

L.I.C. Investments: Replying to a question by Sardar Iqbal Singh in the Lok Sabha, the Deputy Minister of Finance Shri B. R. Bhagat stated that the total investments in Government Securities, Shares, Loan Stocks etc., made by the Life Insurance Corporation from September 1, 1956 to the end of February this year was as follows:

	Book Value Rs.
Central & State Govt. Securities	4,02,61,476
Semi-Government Securities	1,75,43,532
Debenture Loan Stock	1,35,67,035
Preference Shares	2,90,85,378
Ordinary Shares	10,89,79,519
TOTAL	Rs. 56,94,36,940

The Deputy Minister added that the total investment of Corporation Funds in Government and semi-Government Securities up to the end of February, 1958, was Rs. 41,78,05,008 and in the Shares of Companies in the Public Sector Rs. 1,33,632. The total investment in the Private Sector during the same period was Rs. 15,14,48,300.

GENERAL

Tests for Efficiency of Mechanised Fishing Boats: A symposium to test the efficiency of mechanised fishing boats, including a new type of surf boat built in Norway, was recently held under the Indo-Norwegian Project in Kerala. In addition to practical demonstration and trials, there were discussions at Quilon on various topics connected with mechanised fishing boats. The symposium was attended by the Naval Architect of the Indo-Norwegian Project, Chief of the Fish Boat Division of F.A.O., Rome, and technical officers of Central and State Governments. Under the Indo-Norwegian Project, six types of mechanised boats have been designed and built, some suitable for operation from sheltered bays and others to work from the beaches. All these boats were tested and their seaworthiness and efficiency ascertained. The agenda for the symposium included examination of the technique of adequate testing of surf boats, nature of the beach and area as compared with conditions in other parts of the country, and review of beach landing experiments elsewhere. The economic aspects of mechanised and non-mechanised beach fishing, and comparisons of mechanised boats with local craft and mechanised handling on the beach were also studied. Other topics for discussion were maximum utilisation of the space in boats and development of multi-purpose fishing boats.

Safety in Coal Mines: The Government of India have set up a 15-member Steering Group to prepare the ground for a conference to consider the question of safety in mines in relation to management practices, workers' training, arrangements for check and inspection and measures designed to prevent accidents in mines. The constitution of the Steering Group is in pursuance of the announcement made by the Union Minister for Labour and Employment, Shri Gulzarilal Nanda, in Parliament following the accidents in the Chinakuri and the Central Bhowra Collieries on February 19 and 20. The main conference, which will follow the meeting of the Steering Group, will be attended by representatives of mine workers, employers, mining engineers and the Inspectorate of Mining.

NEWS IN BRIEF

INDIAN

The South Indian tea estates produced 9.5 million lb. of tea in January this year, as against 8.1 million lb. in January, 1957.

Mr. Manubhai Shah, Minister of Industry revealed in the Lok Sabha recently that the Government had under consideration the establishment of another newsprint factory with a capacity of 30,000 tons a year, besides the Nepa Paper Mills. The expenditure on the project would be Rs. 5 to 6 crores and the factory would be located near Nizamnagar Sugar Mills.

Time-loss due to industrial disputes during December 1957, increased by 87,903 man-days. The average duration of disputes current at any time during the month was 7.0 days as against 6.1 days in the preceding month, according to a Government press release.

A new development in the plastics industry has recently been announced by Messrs. R. A. Cole Private Limited of Bombay, who manufacture a rigid, synthetic foam building and insulation material called Thermocole, from a special grade of imported polystyrene.

Canada offered to supply non-ferrous metals of the value of 10 million dollars as assistance to India under the Colombo Plan.

Thirtynine private companies with a total authorised capital of over Rs. 1.21 crores were registered in the Northern Region under the Companies Act during the last quarter of 1957. In addition, one association, which is not for making profit, was registered under the Act in Uttar Pradesh.

A sum of Rs. 3,85,000 was given as Central grant during 1956-57 to 10 State Governments for Audio-Visual Education. The States were: Bihar, Kerala, Madras, Madhya Pradesh, Mysore, Orissa, Punjab, Rajasthan, Saurashtra (now Bombay) and Uttar Pradesh.

The total number of regular employees at Rourkela Steel Project was 1,706 of which 67 were displaced persons, whereas the non-regular employees numbered 6924 including 1087 displaced persons.

The Indian Standards Institution has issued a specification for animal glue, IS: 852-1957. This specification is one of a series of specifications of adhesives used in plywood and wood work.

The coal mines provident fund scheme has been modified to provide for a uniform rate of contribution for all categories of colliery workers. The rate has been fixed at 6½ per cent of the total emoluments of workers, which include cash payments, over-time compensation for guaranteed wages, additional payments for difficult and arduous work — remuneration for paid holidays etc.

A development of Rs. 100 lakhs has been provided for the development of indigenous system of medicine during the second Five-Year Plan.

A sum of Rs. 9.745 crores has been provided by readjustments within the general allotment for education, for the implementation of the schemes of expansion of selected engineering colleges and polytechnics.

FOREIGN

Arrangements for U.K. Moroccan trade have been agreed between the two Governments, the Board of Trade announced recently. These arrangements cover bilateral trade quotas for the year 1958. Last year, British imports from Morocco totalled £12.9 million and exports to Morocco £5.7 million.

Malaya had an external trade balance deficit of \$(M) 47.7 million in January, or nearly 300 per cent more in value than the deficit in January, 1957.

French steel output declined in February 1,183,000 tons from 1,325,000 tons in January, Comtel reports from Paris.

Belgian steel output in February 482,434 tons compared with 549,210 tons in January and 508,378 tons in February last year. The daily average output was also lower at 20,101 tons, against 21,123 tons in January.

The Ceylon Government is to impose a cess of 4 cents (approximately 0.72d) per lb. on tea exports from April 1. The new duty is intended to finance a 7 year scheme to rehabilitate and develop the Ceylonese tea industry.

The external assets of Ceylon stood at Rs. 939.3 million at the end of January, 1958, having fallen by Rs. 3.8 million (about £285,000) over the month. This compares with a decline of Rs. 32.7 million in December, 1957.

Industrial investment in Sweden in 1958 is likely to be 8 per cent higher than in 1957, according to a survey by the Swedish Board of Trade. Last year the rise was 4 per cent, which more or less less corresponded to the increase in prices.

The Egyptian authorities have reduced from 23 to 21 per cent the maximum discount which cotton and other exporters are authorised to accord customers who pay in dollars or West European hard currencies.

Canadian fine paper producers enjoyed slightly brisker business in January, and both production and deliveries gained marginally as compared with the corresponding month of 1957. Output in January was 20,759 tons, a gain of 2.9 per cent from the 20,169 tons produced in January last year.

The number of unemployed in the U.S. rose by 790,000 in February to 5.2 million. This is the highest figure for any month since August, 1941.

Production of radio and TV sets in West Germany last year was 18 per cent higher than in 1956 and reached a value over £100 million. Production of TV sets rose by 213,000 to 808,000 units, of which 179,000 were exported — three times as many as in 1956.

Crops of raw cotton grown in the Sudan and the Commonwealth territories last year reached a record total of nearly 1.5 million bales, according to the annual report of the British Cotton-growing Association.

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This "ploughing back" of a portion of the ACC's earnings — though reduced last year owing to lower profits, resulting from higher costs and increased taxation — remains a vital factor in the production and supply of quality cement in increasing quantities to millions of satisfied users throughout India who have learned to depend on — ACC CEMENT.

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A DELHI DIARY

TEARS BEFORE ALL

CHARITY still begins at home. Forgetting, therefore, the great need for objectivity in reporting I make hastily for the Supreme Court's decision on the findings of the Wage Board constituted under the Working Journalists (Miscellaneous Provisions) Act, 1955. My interest was deeply involved with Section 5(1)(iii) of the Act granting gratuity in the case of voluntary resignation from service by a journalist, working or otherwise. This has now been declared illegal and void. I was contemplating at some undefined date in the future just this exercise of the fourth, (or is it the fifth?) freedom. I had hoped that freedom from want would be guaranteed by the generous section which allows fifteen days' salary for every year of work, so that after a long life in journalism I would then be as carefree as the proverbial lark. But this lark seems to be getting scarcer and scarcer these days. I am now deeply dismayed that this generous section has been unceremoniously killed. While something can be done to resurrect a Wage Board decision on normal working conditions, it would seem that gratuity is contrary to the Constitution, and, therefore, not resurrectible. Many tears will be shed publicly, but may I now present my own?

THE DELHI CORPORATION

While we were bemoaning our fate, most of us journalists failed to appreciate the point that there were other individuals whose disappointments this week were even greater than our own. The Corporation elections in Delhi were not taken very seriously by journalists as a whole; it was believed that a Congress majority would emerge by the happy refusal of voters to declare themselves in time. Most members of the Congress Party were equally sure that they would emerge victorious. It was shocking, therefore, at the early hour of 1.30 A.M. on Friday morning to awaken to the news that the Congress had suffered a severe defeat. It is now known that the Congress Party has captured 31 of the 80 seats, so that a majority is now out of the question, and it is very unlikely that the Congress will have a Mayor of the Capital city in its ample and attractive folds. Delhi (my Maharashtrian friends tell me) has followed Bombay in rejecting official policy. The significance of this is that it has happened within the precincts of every important leader of the Congress. As far as can be determined they made no impression at all on public opinion in this case. And this is a very significant difference from Bombay. Remote control has always been difficult; but here the Government has been rebuked violently at the Prime Minister's door.

Naturally the journalists have quickly awakened to their duties and are rushing about to tell stories of how this extraordinary event occurred. The fact that the Jan Sangh has obtained 25 seats seems to indicate not so much the growth of communal feeling, (although many journalists will jump uncritically to that conclusion) as to the fact that it represents the best organised party against the Congress in this capital city. The major cause is certainly anti-Congressism. Did 'The Eastern Economist' not prophesy that the results of T.T.K.'s Budget in 1957-58 and the near

stand-still arrangements of 1958-59 would anger the urban middle classes? Delhi, I believe, is a case in point, but I call upon 'The Eastern Economist' next week to tell its story all over again. Is this the rise of the middle classes against the Central Government, or merely a distaste (not unnatural) with those who have been in office for the last five years and with exceptions have done little to help in improving conditions in the city?

NO COMMUNIQUE, PLEASE

Since I am calling spacioously upon 'The Eastern Economist' to discharge functions of which I am not capable, I demand next week an editorial on 'India and New Zealand'. The relations between the two countries have been highlighted by the arrival and departure of Mr. Walter Nash, New Zealand's Prime Minister. All the usual rounds were gone through triumphant arches, flags, civic receptions, conversations with the Prime Minister and the inevitable community. I greatly fear that the routine for our distinguished visitors is beginning to wear a deadly look, which prevents any new interests. May I suggest that the time has come to suspend the official communique which, as far as I can see, always adds up to the same thing, often in the same words. It is true that history repeats itself and these are history without any communiques. Communiques tend to reduce history very much to the (low) level of current journalism, on which I need not say more.

Those of us who are condemned by the decrees of Fate to attend Parliament every hour have had both agreeable surprises and disappointments to record this week. The Prime Minister's reply to the Budget debate was unhappily a severe disappointment. But since my secret sources tell me 'The Eastern Economist' has said so elsewhere, let me refer to the agreeable surprise. This was the able presentation of a case—first by Mr. Manubhai Shah and then Mr. Morarji Desai—when dealing with the demands of the Ministry of Commerce and Industry. Mr. Shah is showing in Parliament the dynamism with which he has operated in the commercial field, and Mr. Morarji Desai's firm commitments against the advent of State Trading in tea has had a most wholesome psychological effect. The Stock Exchanges which incidentally have also been dynamic after the blues of many months will probably record another jump. But one finds it a little difficult, however, to know where the battle of the sectors stands at the present time. Mr. Morarji Desai had a word in season to say to the Communists, while they were asking for more public enterprise here, their Government in Kerala was asking an industrialist unnamed to help them with some enterprise. Apparently Mr. Desai thought they were wise. It seems the Prime Minister is saying 'Forward' and the Finance Minister 'Back' and thus (as in the Days of Ancient Rome) ranks go between to and fro. It is not clear as to what equilibrium (or is it dynamic equilibrium) means in these circumstances?

A DELHI NOTE BOOK

THIS Notebook, a new feature in 'The Eastern Economist', is attempting a round up of facts (and some fancies) which, it is hoped, will help business men better to assess the Delhi economic scene. Its manner is likely to be a little telegraphic because of limitation of space, and it is hoped that business men who wish any particular matters embellished for them will not refrain from telling the Editor Why and How.

ACCENT ON RESOURCES

The week has not produced much new information but at least a few things are clear. The problem of rupee resources continues to be a source of anxiety; it has been made more difficult now by the loss of an additional Rs. 6 crores against the Budget estimates on cotton textile excises, and the abolition of the Compulsory Deposit Scheme. Deficit financing is likely to be Rs. 218 crores instead of Rs. 205 crores, and as far as can be seen at the moment, all the expenditure in the Budget is likely to be incurred and conceivably something more. Most people are convinced that this means a significant rise of prices within the year, or a retreat. The question is: Will the Retreat come too late?

On the dilemma of resources there has been a new book, 'The New India', prepared by a study group set up by the Planning Commission. Briefly the points made are: "Additional taxation during the Plan period should be of the order of Rs. 1,200 crores, the new taxes begun in 1956-57 and 1957-58 bringing in Rs. 800 crores over the five-year period; a considerable portion of additional taxation must be used for non-Plan purposes, including the higher costs of defence, administration and defence services; small savings must yield Rs. 100 crores a year or Rs. 500 crores in the Plan period (in the first two years of the Plan they yielded an annual average of only Rs. 50 crores); public borrowings must be of the order of Rs. 140 crores a year (the net realisations of public loans during the five years ending 1957-58 came to an annual average of only Rs. 51 crores); and the target of Rs. 1,200 crores set for deficit-financing has already been reduced to Rs. 800-900 crores. There is also expressed doubt if more savings and loans could be collected. 'The dilemma', in the words of the Study Group, 'is that if the Government takes too much in taxes and loans it will dry up money needed by private enterprise for expansion'. A welcome admission; not less so because it is so obvious.

AND SPENDING

The advent of Mr. Morarji Desai at the Ministry of Finance is expected to increase discipline in spending. It is recalled that following the shortfall in the development expenditure in 1957-58, the spending Ministries became aggressive, defying the Finance Ministry on every possible excuse. It has now been pointed out at meetings of the Licensing Committee, the Finance Ministry used to be represented by a junior officer who could be easily overawed. Again, steel and cement were not imported erratically; they were done according to an advance plan in pursuance of which missions were sent abroad to negotiate their purchases. For some reason or other, T.T.K. suspended control even in 1958-59; it is now believed Mr. Morarji Desai's hand will tell. It will need to be heavy.

Meanwhile the foreign exchange problem has continued to loom large, notwithstanding some relaxations

on American Import-Export Bank account. There are two good points to report — one is the increased interest in the export of high-grade processed manganese, and the other the halt in the philosophy of State Trading. Processed ferro-manganese brings as much as Rs. 800 per ton as against Rs. 150 per ton of manganese ore. The second Five-Year Plan has fixed a target of 160,000 tons per year for ferro-manganese. Seven parties have been granted licenses to set up ferro-manganese plants of a total capacity of 123,000 tons. The private sector has demonstrated its capacity to deliver the goods. Three plants have already gone into production. Licenses are very likely to be granted to two more parties for fresh capacity of 54,000 tons per year which will raise aggregate capacity to 177,000 tons.

On State Trading, the forceful manner in which Mr. Morarji Desai rejected the injection of State Trading in either the running of Tea Estates or in the export of tea has created the impression that the State Trading Corporation will be asked to consolidate its activities and refrain from extending them. This does not imply a reduction in the volume of the State Trading Corporation's turnover, which is largely set by existing agreements, but it does imply a hesitation to enter into new industries, or new elements of trade except with Communist countries.

BENGERS' NEW PROJECTS

At the same time there has been a clear increase of interest in private foreign investment. During this week, Mr. B. D. Thornley, Chairman of Benger Laboratories Ltd., Cheshire, England, has explained in Delhi plans for setting up a factory in India for the manufacture of two important pharmaceutical preparations, a substitute for blood plasma called Dextraven and injectable iron preparation called Imferon. The fact that they are putting in Rs. 40 lakhs and have made clear that India enjoys all raw material for this industry particularly for Dextraven (which is based on sugar, of which we have a significant surplus) had encouraged people to believe that drugs and pharmaceuticals, will form a big part in new private foreign investment. Certainly Mr. B. D. Thornley's conversations here have created a very favourable impression of the manner in which Benger Laboratories have approached their project.

CROSSING THE LIMESTONE HURDLE

One little point which might be a major hurdle if not solved in time is how Rourkela and Durgapur will obtain their limestone supplies. This is a new question mark. Original planning assumed that the flow of this material would be smooth. Both Rourkela and Durgapur were planned to procure limestone from the same source — the Birmittapur-Hathibari area. It is intriguing how this question was not gone into sufficiently deeply. Now a preliminary project report has come out with the discovery that the hurdle-deposits of limestone in this area are situated at inconvenient depths. The cost of mining is bound to rise steeply. What is more significant, limestone of the right quality can be extracted from the deposits three times as high. Additional pressure will be put on rail transport capacity as well as on the transport element of procurement costs. Durgapur can take it easy for the present. But in the case of Rourkela supply of limestone for initial production of steel is an urgent 'must'. Or must the consumer foot another bill?

Special Article

THE NATURE OF THE CLOTH CRISIS

THE atmosphere of crisis which persists in the cotton textile industry is highly intriguing to all except the managements of mills which are firmly convinced that the higher excise duties have wrought the mischief and their immediate abolition is either the only solution or an inevitable first step towards it. On a straightforward view, the industry's case should be accepted as the conditions in which these duties were levied have changed completely; prices are no longer as high as in September 1956 (the industry's case is that it has borne the excise duty and even more) and cloth stocks have mounted to five or six week's production. The question now is how such a situation has been brought about. If the level of demand late in 1956 and the first half of last year was such as to permit the maintenance of a high level production in spite of the higher duties, why did it suddenly fall off at a time when the total development outlay as well as the proportion of deficit financing have been at their highest levels? Though at the time of the levy of the higher duties the Government was ostensibly intervening only to control runaway prices, and intercepting the wider profit margins caused by a larger demand, official calculations were undoubtedly based on an indefinite continuance of that shortage during the rest of the Plan period; it was hoped that while, on the one hand, the duties yielded resources for the Plan, they would, on the other, bring about an equilibrium between the rising demand for mill cloth and its limited supply. Indirectly, they protected the decentralised sector and could help it to reach its Plan targets.

It was the general belief at the time the cloth targets of the Plan were determined that per capita consumption could go up to 22 yards by 1961 and that in leaving a large part of the additional production (about 100 million yards) to handlooms and the Ambar Charkha, the planners were taking chances with the cloth supply needed to meet the growing demand. The ceiling on mill output at 5500 million yards and the lack of interest in expanding spinning or weaving capacity were regarded by the industry as very shortsighted. It is being rather naive to say now that the excise duties have inhibited all this potential demand and that their removal alone would revive it on the expected scale. The industry must search within itself for at least a part of the explanation for the present 'impasse'. It is indeed a serious thing if recessionary symptoms, like mill closures and un-employment, working and 25,000 workers have been already affected; the chairman of the Bombay Millowners' Association has warned that 40 to 50 mills employing 50,000 men will soon have to follow suit. The curtailment of shifts in Bombay City has affected 12,000 workers. It is clear that if the industry has to forgo the additional gains it expected from the rising cloth demand and also to lower ex-mill prices, there will be no inducement to continue production; the obligation to pay retrenchment compensation may for the present act as a deterrent to more closures.

A fact that is overlooked in most discussions of this subject is the change in the structure of production which is largely responsible for the current difficulties. To the extent that tax policies impelled this change the Government may be responsible, but the decision to make it was only that of mill managements. Though in 1957, the total cloth production was maintained at the previous year's level, there was a sudden 50 per cent increase in coarse cloth output. As the following figures show, the production of coarse cloth was three times the level of 1951, twice that of 1955. Since the

annual total of 5317 million yards is only slightly above that of the previous year, the manufacture of medium, fine and superfine varieties has suffered a corresponding decline.

CLOTH PRODUCTION BY DIFFERENT CATEGORIES SINCE 1951

(Monthly averages in thousand yards)

Year	Coarse	Medium	Fine	Superfine	Total
1951	30,293	173,405	112,329	23,655	339,682
1952	41,966	225,548	99,477	16,229	383,220
1953	49,902	261,373	69,910	25,363	406,548
1954	42,467	307,624	38,476	27,909	416,476
1955	47,706	313,219	38,525	25,090	424,540
1956	59,887	316,384	37,003	28,941	442,215
1957	96,976	291,909	31,923	22,310	443,118

* Source: Statistical Bulletin, Dec. '57

The really intriguing part of this is how the demand for medium cloth could fall so far below the levels of 1954 and 1955 in the context of the steep increase in Plan outlay and larger incomes, even if food prices had to some extent affected the purchasing power of the urban middle classes and reduced their demand for medium varieties. A very significant aspect is the fall in production of fine cloth to about a fourth of its 1951 level. But this decline had commenced even in 1954 when there was a sudden drop in output. It is perhaps only a repetition of the trend observed often before that a substantial increase in cloth output with existing capacity is achieved only by spinning down the counts; the exception is the superfine category which shows only small variations during these seven years.

To some extent, the prosperity of the agricultural sector and the rising urban cost of living might have justified this sudden shift to coarse cloth production; it is also noticed that exports of the coarse varieties increased from 187 million yards in 1955 to 234 million yards in 1957. But these are hardly adequate reasons. Obviously, the industry wished to take advantage of the lower duty on coarse cloth by switching over from the medium varieties, (on which the duty had been doubled with effect from September 1, 1956 to two annas per square yard) and also from the fine varieties (on which the duty was increased from one anna nine pies to three annas per square yard). The same explanation would hold good for the decline in the superfine category also for which the excise duty was raised to four annas. In each case, the varieties in the border line could be declassified and put in the next lower category for taking advantage of the difference in the rate; since the mills were bearing the entire burden of the duty and could not pass it on to the consumer, they could not resist the temptation to do so. Naturally, this trend has had its effects on revenue collections also as the downward revision of the estimates of yield in the budget would show.

The reduction last December of the excise duty on medium cloth was a right step not so much for the actual benefit it conferred as for the narrowing of the margin between coarse and medium cloth. It is quite clear that mills should have foreseen that, with handlooms also working at their peak capacity without the disability of excise duties or other increased costs, there was a limit to the extent to which mills also could compete for the custom of the same consumer and in the same varieties. More yarn is being produced by the spinning mills and absorbed by the handlooms; while the composite mills have been steadily reducing their shifts, the spinning mills have increased theirs.

DAILY AVERAGE OF SPINDLES AND LOOMS RUN 1956 AND 1957

	1956	1957	December 1957
SPINDLES			
1. Spinning Mills:			
1st shift	1,587,454	1,924,016	2,093,794
2nd shift	1,480,554	1,780,195	1,962,816
3rd shift	706,549	763,823	835,929
2. Composite Mills:			
1st shift	9,046,680	9,007,270	8,816,064
2nd shift	8,724,349	8,728,720	8,489,999
3rd shift	4,201,480	4,042,104	3,567,088
LOOMS			
1st shift	184,091	180,886	175,336
2nd shift	172,507	171,306	164,955
3rd shift	50,779	49,528	41,748

Total yarn production has increased from 1671 million pounds in 1956 to 1780 million pounds in 1957 and almost the whole of the increase has been used by the handloom sector; in December 1957, yarn output at 153 million pounds was higher than the average for the whole year while that for cloth was lower. This explains the apparent paradox of cotton consumption continuing to remain high in the midst of the developing cloth crisis. It is the composite mills that have now suffered. Among these, the mills which have always been producing coarse cloth had no option left to them; their position has been made difficult by the others who were in a position to shift to coarse production after the duties were imposed. It these are now induced to go back to their normal ways, by the lowering of the duty on medium varieties an improvement in the situation should be possible; in this context, one must deplore the uncertainty about the continuance of the reduction after the end of this month. There has recently been a drop in monthly cloth production which is disturbing, but it only signifies a transitional phase in the industry's attempt to return to a more balanced structure, there should be no serious ill-effects. The crisis is an illustration of the indirect consequences of policies which are hastily conceived and executed without regard to their secondary effects.

Note: As we go to press the Government of India have announced reduction in the existing rates of basic excise duties on cotton fabrics.

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TEXTILE MACHINERY CORPORATION LTD.

NOTICE

NOTICE is hereby given that an Extra-ordinary General Meeting of the shareholders of Textile Machinery Corporation Ltd., will be held at 8, India Exchange Place, Calcutta on Monday, the 7th April, 1958 at 3 p.m. to consider and, if thought fit, to pass, with or without modification, the following Resolution as a Special Resolution.

'WHEREAS the East Indian Produce Company Ltd., an associate of Birla Brothers Private Ltd., the Managing Agents of the company maintain an office at London in the United Kingdom and whereas the said company carry on business of acting as agents in the United Kingdom for the purchase and sale of goods including stores, plant and machinery and rendering of services such as recruitment of technical personnel, etc., and also have dealings and business connections with parties all over the United Kingdom and the Continent and their operations are on a very large-scale and whereas their expenses of maintaining their office, as assessed, amount approximately to £40,000 per annum and whereas expenses which can be attributed to the work expected to be done for and on behalf of the company would depend on the value of purchases effected and services rendered through the said company in relation to its total turnover in each year and whereas the said East Indian Produce Company Ltd. are acting as Purchasing Agents of the company for purchases of plant, machinery and stores, etc., and rendering of services such as recruitment of technical personnel, etc., and are paid commission at various rates. NOW it is hereby resolved that the appointment of the East Indian Produce Company Ltd. as Agents for the company to purchase, for and on behalf of the company, plant, machinery and stores, etc., and to render services such as recruitment of technical personnel and execution of various commissions entrusted to them from time to time by the company, be continued for a further period of three years with effect from 1st March, 1958 and that commission (1) for purchase of plant machinery and stores, etc. up to 2½ per cent of the invoice price of plant and machinery and up to 5 per cent of the invoice price of stores, etc., subject to a maximum of £5,000 in respect of a single order irrespective of the amounts calculated on the percentage basis, (2) for recruitment of technical personnel, up to 20 per cent of the gross salary payable to the technical personnel during the first year of service under company and (3) for execution of various matters referred and entrusted to them, the actual expenses incurred, the remuneration of the staff of the the East Indian Produce Company Ltd., apportionable to such work plus 50 per cent commissions of such remuneration, be paid by the company to the Agents viz. The East Indian Produce Company Ltd. in the manner sanctioned by the Directors of the company."

EXPLANATORY STATEMENT

The East Indian Produce Company Ltd. are an associate of Birla Brothers Private Ltd., the Managing Agents of the company. They have been acting as buying agents of the company since a long time and it is proposed that they continue as buying agents for a further period of three years in the manner and on the terms and conditions state in the resolution. Shri K. K. Birla, a Director of the company, is a shareholder in the East Indian Produce Co., Ltd.

By Order of the Board,

Per Pro. BIRLA BROTHERS PRIVATE LIMITED,
Belgharia, G. D. MAKHARIA,
1st March, 1958 Managing Agents

Note: A member entitled to attend and vote is entitled to appoint a proxy and the proxy need not be a member.

How banking serves the SPICES INDUSTRY

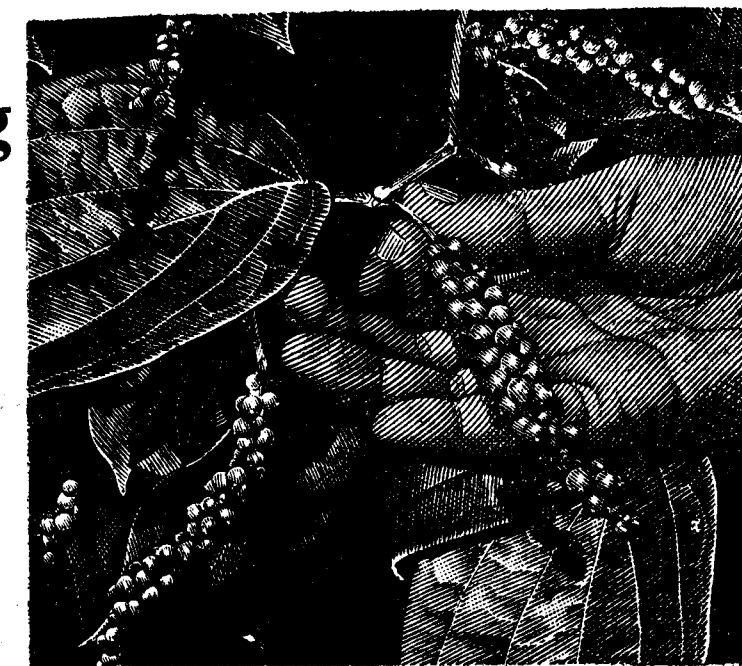
There is tremendous demand throughout the world for pepper and cardamoms and South India produces the bulk of these spices. One-third of the entire world demand for pepper is grown between Karwar and Cape Comorin; and in 1951-52, India's exports earned more than Rs. 27 crores.

Within the last ten years there has been a remarkable increase in cardamom growing, particularly in the South Indian states of Mysore and Coorg, and the districts of Madurai, Tinnevely, Malabar and Coimbatore.

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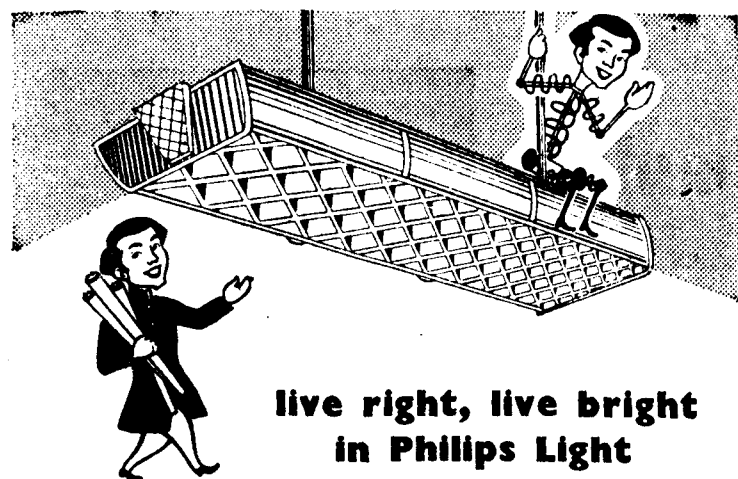
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BOOK REVIEWS

FOREIGN CENTRAL BANKING

"Foreign Central Banking — The Instruments of Monetary Policy": Federal Reserve Bank of New York, 1957: 116 pp.: Peter G. Fousek.

This monograph is one in a series of studies published by the Reserve Bank of New York. Its purpose is to examine the techniques of central banking. Mr. Hayes, President of the Reserve Bank of New York, points out in his Foreword that there had been a renaissance of central banking during the past decade, and that countries outside the Iron Curtain have come increasingly to rely upon monetary controls in their efforts to limit economic fluctuations and to promote sturdy economic growth.

The study presents a very interesting and comprehensive review of the various instruments the Central Banks have resorted to in order to exercise monetary controls. The author explains that, on the theoretical side, a reassessment of the ideas of the 1930's restored to monetary policy a considerable share of its earlier and perhaps then exaggerated importance. The following five interrelated factors are considered by Fousek as the ones through which monetary and credit policy can operate to fulfill its functions: the availability of credit relative to demand, the volume of money, the cost of borrowing, the prices of capital assets, and the general liquidity of the economy. The scope for effective monetary control depends on the economic and financial structure of a country taking into account also the degree of development of its financial institutions and its money and capital markets. Needless to say that monetary and credit policies can succeed only if they are carried out in conjunction with appropriate budget and debt management policies.

Assuming that the objectives of monetary policy or monetary controls are so defined in the Foreword, i.e. "to limit economic fluctuations and to promote sturdy economic growth", the question to be examined is what instruments are available to monetary authorities to achieve these objectives. Although the author says that a considerable share of its earlier importance was restored to monetary policy, to some extent the above mentioned objectives are wider and somewhat different than for instance before 1914 in the period of the most effective monetary policy. And because of the changed conditions of national economies, particularly the greatly increased share of public expenditure in the national income of all nations, the mechanics of monetary control were also bound to undergo substantial changes.

The discount rate which used to be the instrument of credit control lost much of its direct importance, and discount rate changes are being used mainly to reinforce other monetary measures. The author discusses the other main instruments of monetary policy: open market operations, commercial bank cash reserve requirements, commercial bank liquidity ratios, and selective and direct credit controls.

In recent years more emphasis has been placed on the general quantitative controls among the Central Banks of the financially more developed countries, but in the financially less developed countries direct and selective controls still predominate.

The author remarks rather modestly that this booklet is not intended as an evaluation of the results of monetary policy of various foreign countries, and while this is the case, some good evaluation of the main instruments of monetary policy is included in the

monograph. One certainly agrees with the conclusion that central banking cannot carry by itself the burden of needed economic readjustment.

I hope that Mr. Fousek will deal in detail with this particular problem in his future studies which could fruitfully use the results of his findings. The main problem is rather the same as it was before 1914; the relation of actual demand expressed in monetary terms to potential supply of goods and services—what monetary authorities could or should do to control this demand, how far and when to intervene, what their role should be in the developed and less developed countries, what the relation and function of monetary policy with regard to economic growth should be.

The matter of mechanics — of suitable instruments of monetary policy — while very important should be interpreted only as a part of an overall economic policy. The principal objectives of economic policy have changed, the emphasis being placed on maintenance of high level of activity in the developed countries and on steady economic growth in the underdeveloped areas. Moreover, the need of maintaining overall stability is stressed. What are then the instruments of monetary control best suited to promote these objectives; and what is the concept of stability within the framework of high level activity and steady economic growth?

A. BASCH

THE INDUSTRIES OF INDIA

Major Industries of India Annual 1956-57 (Vol. 6): Edited by M. P. Gandhi: De-Luxe Edition on Art Paper: Price Rs. 15.

The sixth of its kind, and covering in 400 pages all the industries of India, this book appears opportunely. It deals particularly with problems of industrial planning, on which there is happily a practical approach because of the experience of the authors. It should therefore, prove of great value to the public in general, and to industrialists in particular. The object of the articles is to be critical or at least critically constructive rather than merely descriptive. In many cases this object is achieved. In any case, the survey is wide and comprehensive and is much more than a mere reference book.

On the Plan, the majority of the articles are critical, particularly on the point that the so called "flexibility" of the Plan is conspicuous by its absence. In its place there has been substituted "capacity to make immeasurable sacrifices". In philosophy what was intended to be a trial and error effort has become a rigid straight-jacket from which there appears no escape.

Some contradictions appear because of the number of authors and their conflicting views. Thus, in regard to the aircraft industry, while in one article steady progress is reported, in another article 100 pages away the position is said to be disappointing. But perhaps progress is a matter of norms and, therefore, not necessarily an issue of fact!

With so much on Indian industry, some little repetition cannot be avoided but, perhaps, it would be wiser in future issues to reduce the number of articles so as to avoid a certain similarity of theme. By and large, however, Mr. M. P. Gandhi has again accom-

plished a remarkably able piece of consolidation. Good reporting on the whole field of industry is rare. These annuals provide some of the best that is to be found in the country.

STATISTICS IN OUTLINE

Statistical Outline of India: Published by the Department of Economics and Statistics, Tata Industries Private Ltd., Pp. 54.

The Department of Economics and Statistics of Tata Industries has brought out recently the third issue of its booklet entitled "Statistical outline of India". This small booklet of 54 pages contains no less than 69 statistical tables relating to various aspects of the Indian economy. It seeks to present statistics relating to national income, population, natural resources, industrial labour, foreign trade, joint stock companies, Banking, Insurance and Corporation, the Plans and the Prices in a way which is easy to understand. The importance of this publication is enhanced by the fact that it covers almost every aspect of the Indian economy and puts out figures in a way that even the layman, who does not possess even the elementary knowledge about Indian statistics, can very easily understand. There are other booklets also issued recently by the public sector (The Central Statistical Organisation and the Directorate of Economics and Statistics, Ministry of Food) which attempt to present Indian statistics in a handy form. Comparisons are odious but one cannot help noticing that both in content and get-up, the private sector has done it again.

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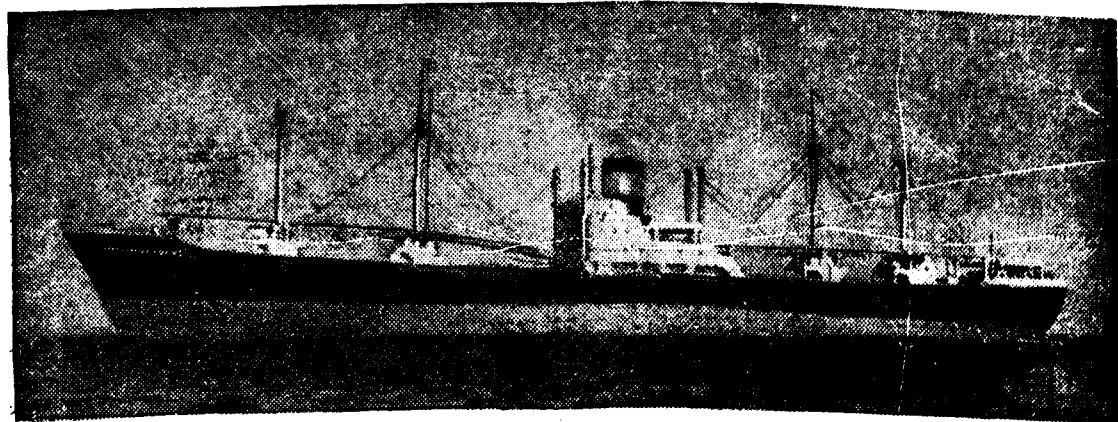
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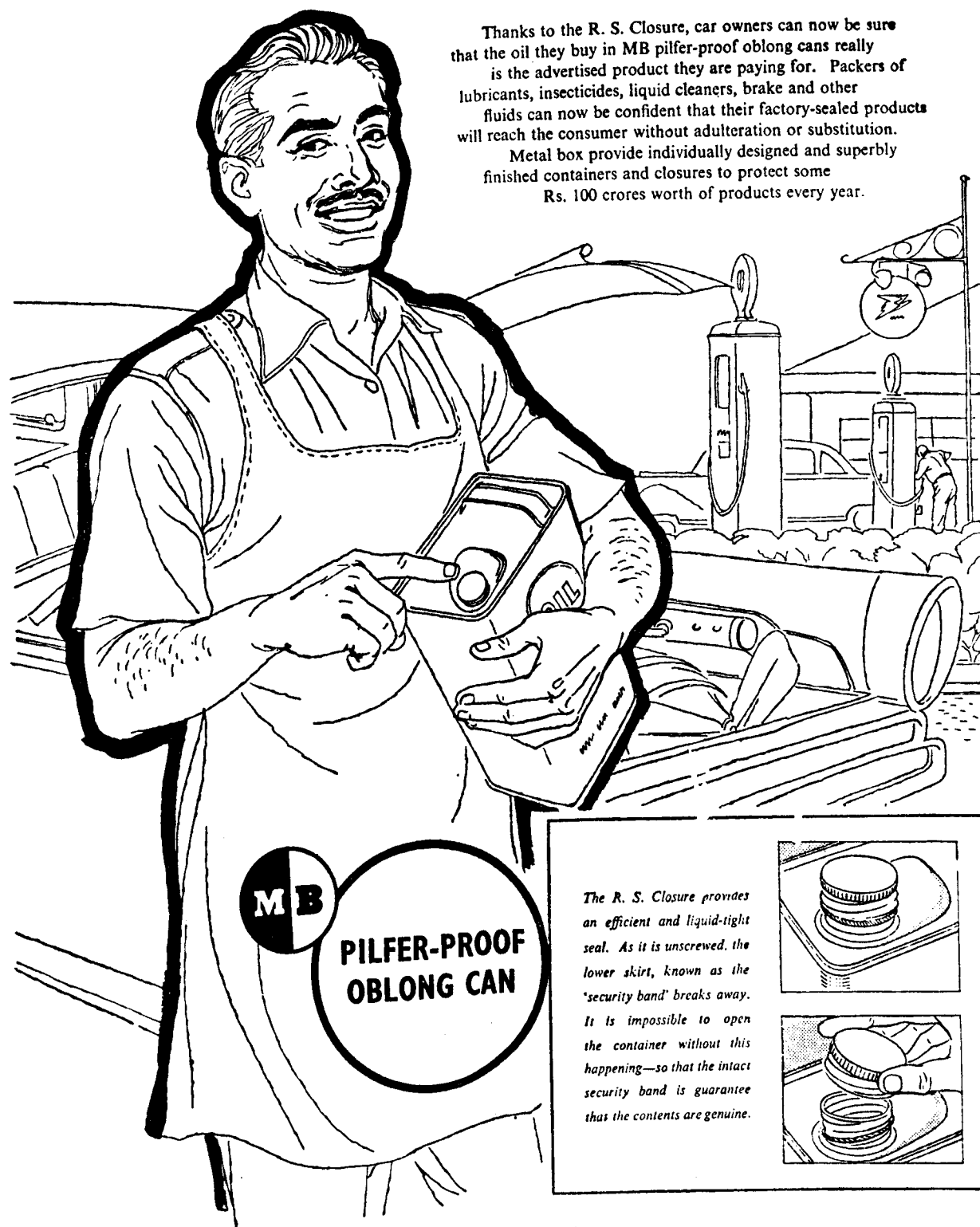
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The Business World

THE INDIAN COTTON MILLS' FEDERATION

(By CROESUS)

NOT unoften, it is adverse circumstances that bring about unity in the ranks of a group of persons bound by common ties. This was brought home to me more pointedly than ever before, when, last Tuesday, the Indian Cotton Mills' Federation, an apex organisation of several millowners' associations in the country, was brought into being, marking thereby the successful culmination of earnest efforts started in this direction as far back as 1950, according to Mr. Ramnath A. Podar, who inaugurated the Federation. Far too long had the need for such a central body, clothed with the authority and prestige befitting a central organisation embodying the collective wisdom of the industry as a whole, been allowed to remain unfulfilled. Belatedly though, it has come, it has done so at the most opportune time.

One thought that so important an event to the country's oldest and largest organised enterprise as this would have been very widely publicised and the occasion itself marked by a grand function, the more so because, even in his speech on the occasion, Mr. Kasturbhai Lalbhai, the first Chairman of the Federation, has himself observed: "we should drop once for all ideas of keeping our operations behind the screen". Yet there was hardly any fanfare, not even so much as an announcement in the local engagement columns, let alone invitations to the public, not excluding the Press! (The Press, was, however, favoured with hand-outs after the event.) The only explanation for this self-imposed austerity by the sponsors that I can think of is the admittedly perilous economic position of the Indian cotton mill industry in India today.

But for this beginning, (which to some Press people seemed inauspicious) it must be said, the Federation was ushered in with quite a good augury, in that almost at the very time of its inauguration news was received in Bombay that the Government of India had reduced excise duties with effect from 19-3-1958 and suspended the operation of the compulsory scheme for (from?) 1958-59, to both of which Mr. Kasturbhai has made particular references in his speech. If even on the very first day of its being, the Federation has been fortunate enough to be able to convey to its members such good news, it is a sure augury, that it would prove useful to the industry in the years to come when the need for its services is bound to increase, what with all the changes that have come about lately.

Referring to the great change that has come over the world generally and the more engaging social problems of the changing society, as also the angle from which these require to be examined, Mr. Kasturbhai said: "The interests of each sector of the community will have to be critically analysed by keeping in view the social philosophy of the day. The industry has to look after the interests of the shareholders, its staff, and the consumers. It is incumbent on the industry to produce goods capable of meeting the highest standards of consumer acceptance and it should be able to market its products at competitive prices. As a provider of employment, it should create conditions of work, satisfaction and stability of employment, so that loyalty, initiative, skill, care effort, regular attendance and team work are received in turn."

Mr. Kasturbhai referred next to export markets, which is at it should be, considering that the Indian cotton mill industry is expected by our Planners to earn for the country as much as Rs. 375 crores of foreign exchange by exporting textiles. If this goal is to be reached it is estimated that at least 1,000 million yards of cloth must be exported by India every year. There is, however, no reason why the goal should not be reached

provided, as Mr. Podar declared, "the industry's point of view on the various problems affecting it is given due consideration". The I.C.M.F. Chairman revealed the industry's point of view on this subject when he appealed to the Government, "to pay immediate attention to this issue and allow the industry to instal automatic looms and adopt more modernised techniques". Unfortunately for us in this country, any talk of automatic looms or modernising of techniques is deliberately misinterpreted by some labour leaders and politicians and equated to increased unemployment. How grievously mistaken such a view is should be evident from the experience of Western countries like Germany and from the unbiased observations of the International Planning Team of the Ford Foundation which recently visited this country at the instance of the Government of India to study the opportunities for increasing both industrial production and employment, the relevant portions of which were quoted by Mr. Kasturbhai.

The problem of rising costs, which is another headache of the mill industry, is a problem common to all countries, but the problem has peculiar relevance to underdeveloped countries, especially those with ambitious programmes of economic development such as ours. In this country, the two categorical recommendations made by the Cohen Council on Prices, Productivity and Income in the UK in its first report, to which Mr. Kasturbhai attended, bear reproduction here. These are: (i) "...the objective should be to stop, not merely to moderate the inflation", and (ii) "a general rise in wage rates on this scale (scale of wage increases demanded by labour in the U.K.) would exceed the rate of growth of productivity in any recent year, and would produce an upward pressure on prices and risk damaging our external position". The Cohen Council has further observed that it is important to ensure that wages should not be allowed to rise in full proportion to the increase in productivity, for, if this is done, it is feared, wages elsewhere also would tend to rise in sympathy, and the result would be that average wage would rise faster than average productivity and the rise in prices would continue. Accordingly, Mr. Kasturbhai expressed the reasonable hope that the Wage Board for Textiles, the appointment of which has followed the demand for increased wages in the industry here, would allow the workloads to be raised wherever the existing workloads in any category are lower than those presented, but allow extra wages to be paid for extra workloads where higher workloads prevail, and, what is perhaps most important, would ensure that the wages of the cotton textile industry do not fall out of line with the wages of other industries as well as of other occupations, keeping in view the regional differences.

Mr. Kasturbhai also referred to the perplexing problem of the high level of excise duties and the other burdens on cost due to rise in the prices of coal, electricity, mill stores, spare parts, etc. and called for co-ordinated steps to check the mounting costs. Indicating the scope of activities of the Federation, Mr. Kasturbhai listed "organisation of exhibitions, press and public relations, publications, international conferences, research and productivity studies, collection of industrial statistics and promotion of commercial and trading interests". The Federation has also "to handle properly the line of communication between the industry and the Government". These are not simple or elementary responsibilities, and it is to be hoped that the Federation will be able to find men of sufficient ability and integrity to cope successfully with these and with any situation or problem that may face the industry in these difficult days.

BUSINESS NOTES

A NOTE ON THE WORKING OF THE STATE BANK OF INDIA

ANYONE WHO peruses the third annual report of the State Bank of India is bound to be struck by the phenomenal increase in its deposits from Rs. 221.5 crores to 344.3 crores, that is an increase of 55.5 per cent. This is, of course, partly accounted for by the deposit of counterpart funds in respect of imports of commodities from the United States under P.L. 480. It is this increase in deposits that has given a different turn to the usual pattern, of ratio of demand and time deposits. In the case of the State Bank, the latter increased in 1957 by as much as Rs. 103.1 crores, or by 84 per cent. There was a similar tendency in the case of the scheduled banks also, but it has been more marked in the case of the State Bank.

The Bank enjoyed a comfortable resources position which is at once obvious from the fact that the Bank strengthened its cash reserves from Rs. 14.9 crores on December 28, 1956 to Rs. 25.8 crores at the end of December last.

Commensurate with the rise in its resources, the State Bank increased its advances as well. Over the year as a whole, total advances rose by Rs. 29.6 crores, as against a rise of Rs. 40 crores in advances by all scheduled banks. A notable feature of the State Bank's advances in 1957 was that the advances to industry rose from 57.7 per cent to 61.5 per cent, mainly at the cost of advances to commerce. There was also a small increase in advances to agriculture.

Among the several activities of the Bank, its programme on the rural side seems to have gained prominence. Thus, in the 21 years of its existence, the State Bank has opened as many as 157 offices, of which 91 were opened in 1957. The delay in the earlier stages was perhaps due to several difficulties, the dearth of suitable accommodation being by far the most important of them.

As regards co-operative finance, the special facilities extended in 1956 continued. Free remittance facilities (thrice a week) were extended during the year under review to cover the remittances of funds by the branches of apex banks and affiliated co-operative banks from the branches of the State Bank to their head office accounts with the State Bank, in addition to the principal accounts with the Reserve Bank. The Bank also continued its policy of purchasing Co-operative Land Mortgage Bank Debentures, of which it held Rs. 41 lakhs at the end of 1957. The limit sanctioned to Co-operative Banks against Government Securities amounted to Rs. 8.5 crores.

In regard to the programme for rural finance, it is known that the State Bank has been assigned the specific role of providing finance for co-operative marketing and processing societies. To further this objective, the Bank has opened a Rural Credit Section with a Senior Registrar of Co-operative Societies in charge. It is noteworthy that the Bank has already extended credit limits to three co-operative sugar factories in Bombay.

In the field of financing small-scale industries, the pilot schemes, which were twelve in number last year, have been extended to 36 centres, and credit limits aggregating Rs. 18 lakhs have been sanctioned to as many as 189 small industries. As an experimental measure, the Bank is acting in the pilot centres as an agent of the State Finance Corporation in their dealings with small-scale industries. The results of this experiment would be awaited with interest.

The Bank took considerable interest in foreign exchange business in 1957 and dealt in 17 currencies. It also introduced the scheme of rupee travellers cheques which are fast becoming popular. But, inasmuch as these cheques are mostly used in India, they can gain in popularity to a greater extent than now only if they

are issued in lower denominations, say of Rs. 50 and Rs. 25 as well.

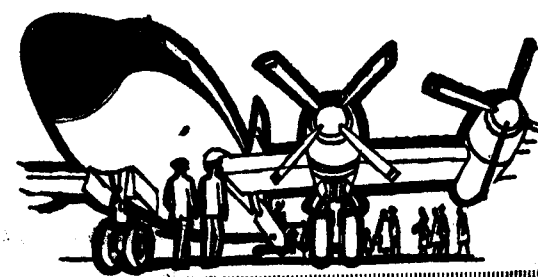
T. STANES AND CO. AND SUBSIDIARIES

MESSRS. T. STANES & COMPANY and their wholly owned subsidiaries took an impressive stride in business in the last accounting year. The Condensed Group Consolidated Balance Sheet and Trading Account as at September 30, 1957, of the parent company and subsidiaries taken together and adjusted for closing dates bears out this conclusion. The group profit, after providing for the normal working charges and depreciation, rose to Rs. 11,99,742 for the year under report as compared to Rs. 9,52,472 in the previous year. The provision for taxation was higher by Rs. 80,000 at Rs. 6.35 lakhs. The reserves have been strengthened by Rs. 4.24 lakhs as against Rs. 2.76 lakhs in the preceding year. The dividend on ordinary shares has been raised to 20 per cent as against 17½ per cent a year before. The sound financial position built up by the management for the group is demonstrated by the fact as against the parent company's paid-up ordinary capital of Rs. 11.56 lakhs and its investments in subsidiary companies of Rs. 10.25 lakhs, the reserve and surplus aggregated to Rs. 38.40 lakhs. The parent company became a public company in 1956 on reorganization and in the same year Messrs. United Coffee Supply Co., and Stanes Motors (South India) Ltd. became its wholly owned subsidiaries. Vital particular of financial working and business operations will be found elsewhere in this issue.

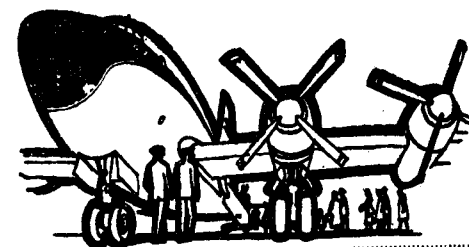
THE BANK OF INDIA'S FURTHER PROGRESS

THE INDICATORS of the progress achieved by the Bank of India during 1957 in its financial operations in the face of continuously increasing burdens of costs can be found in the speech of the Chairman of the Board of Directors which appears in this issue. Two of them need mention. The profit, after earmarking normal appropriations and reserve provisions, increased by Rs. 1½ lakhs to Rs. 93½ lakhs. Shareholders have been given the heartening news that the total dividend for the year, including the interim tax-free dividend of 6 per cent, will be 16 per cent tax-free. In so far as business conditions for commercial banks in the last year were concerned, the Chairman has emphasized that over the year as a whole tightness of money continued to persist. He has drawn attention to the fact that government banks, like the State Bank of India, which compete with commercial banks for business, make general competition more difficult by reason of the availability to them of funds from special sources. These are counterpart proceeds of surplus agricultural commodities under the American PL 480 and funds of government and semi-government bodies.

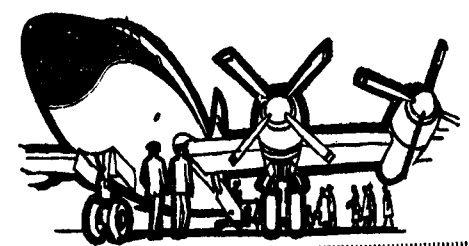
Referring to the unedifying record which India has achieved as probably the most heavily taxed country in the world, the Chairman has issued the warning that this burden is borne because we are a long suffering people, but eventually Government will have to retrace its steps to undo the highly injurious effects of taxation on the economy. He has entered strong protest against the application of a double standard of behaviour in the matter of acquisition of a controlling interest in companies—one to private companies and the other to State-owned corporations. His reference is to backdoor observation in his inaugural address at the recent private concerns with the funds of the Life Insurance Corporation. He is not oblivious of the Prime Minister's observation in his inaugural address at the recent annual session of the Federation of Indian Chambers of Commerce and Industry disclaiming such intention. But he has demanded that an unequivocal and categorical statement of policy must be made by the Government on this delicate point. This is necessary to remove fears about nationalisation by surreptitious means.



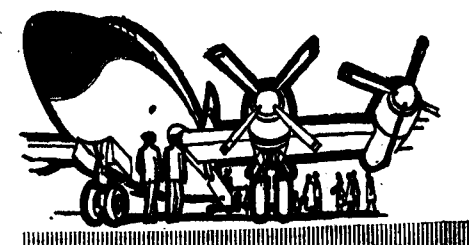
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Company Meeting

THE BANK OF INDIA LIMITED

Extracts from the Speech of the Chairman at the Fifty-second Annual General Meeting of the Shareholders of The Bank of India Limited at Bombay, on Wednesday, the 12th March, 1958.

Ladies and Gentlemen,

With your permission the balance-sheet may be taken as read.

At the time of our Annual General Meeting in 1957 the currency in circulation was Rs. 1,515 crores, whilst at the corresponding time in 1956 it was Rs. 1,406 crores. This year it is Rs. 1,546 crores. The increase on last year's figure is Rs. 31 crores. This limited increase, viewed in relation to the requirements of the second Five-Year Plan, is an indication of attempt at control of inflation.

In present times, each year seems to witness substantial changes. The year 1956 saw nationalisation of life assurance business and the formation of the Life Insurance Corporation of India. That year also saw that major enactment, the Companies Act, 1956.

The year 1957 has seen the adoption of decimal currency. It has seen revolutionary taxation changes.

Decimal currency is, I think, for the benefit of the country generally. The change-over appears to have been made smoothly. We are now quite used to naye paise in accounts and in our every-day dealings.

The major tax legislation changes during the year 1957 were contained in the following Acts:-

- The Finance (No. 2) Act, 1957.
- The Wealth-tax Act, 1957.
- The Expenditure-tax Act, 1957.

The picture for 1957 was an increased tax burden by enhancement of old taxes and the levy of new taxes.

In the Finance (No. 2) Act, 1957, the rates of income-tax and super-tax were appreciably increased for companies. The increased rates come into force in respect of the Bank's income for the year 1956. These tax increases and the ever-present rise in expenses, not only in the principal item of salaries but in sundry overheads, will, I fear, add to our problems. It may not be easy, in the future to maintain our net profits after tax.

Tax-payers have to cope with the Wealth-tax Act from April 1, 1957, and the Expenditure-tax Act from April 1, 1958. These two new taxes are novel. I believe the Expenditure-tax has not been tried out in any other country. These levies may cause much apprehension. Apart from the doubt whether the yield from either tax will be substantial, the tax-payer will be obliged to furnish extensive information. He will, naturally, regard this as an inquisition. He will have misgivings as to how the new taxes will operate. They are likely, I think, to engender a sense of uncertainty and resentment to a much greater degree than other forms of direct taxation.

The Wealth-tax is objectionable as being a capital levy. Though it does not apply to banking companies because of an exception made by Section 45 (a) of the Act, the tax applies to companies generally and is bound to affect their working and financial position. It has a double effect in that it also applies to the shareholders of companies.

The commercial and industrial community were hoping for some relief in taxation in the present budget recently presented but this has not materialised. Taxation has, in fact, become more severe and the Government are expecting to take five crores of rupees more from the people. A major portion of this comes from the Gift-tax, which replaces death duties in cases where donors are in a position to make gifts. Taxation on death also becomes more severe as, not only is the exemption limit for estate duty reduced from Rs. 1,00,000 to Rs. 50,000, but the exemption limit is increased from two years to five years in the case of bona-fide gifts made before death, as if the Government were ashamed for being even less severe than England in any one direction. In no part of the world would such heavy taxation be tolerated without very severe agitation but, in India, we are a long-suffering people and the time is bound to come when the Government will have to retrace their steps from heavy taxation as they will find that the result will be much worse for the country.

During 1957, banks have continued to contend with a persistent tightness of money. This is so stubborn that it almost seems as if it has come to stay. We know, of course, that this is not so. Conditions sooner or later change, often turning completely round. I have seen many examples of this in my time. Even so, there is no sign of any early relaxation in the present scarcity of funds. These tight money conditions and the existence of various restrictions and legislative enactments affecting money and banking can hardly have made 1957 other than difficult for the business of banking. Banks depend upon deposits. In times of tight money the funds available for deposit with banks are restricted. Competition between banks for deposits increases. Higher rates of interest must be offered and paid.

The funds of the Government and of semi-Government bodies are, generally, lodged with the Government banks. Those banks also receive the rupee counterpart proceeds of surplus agricultural commodities of the United States of America under that country's Public Law 480. The two main Government banks are the Reserve Bank of India and the State Bank of India. As the Central bank of the country, the Reserve Bank of India does not compete for business with the commercial banks, but I must make an allusion to the competition that banks like ours encounter from the State Bank of India which has a monopoly in several directions.

The amount available with ordinary banks for advances to customers does not satisfy the demand. For a considerable time we have been obliged, much to our regret, to restrict or to decline to give credit facilities to many credit-worthy customers. The pressure tends to become intensified at the present period of the year when the tax-gathering season is in full swing.

We have heard a great deal about the Small Savings Scheme but I would like to know which class of people are in a position to effect small savings. The Government and the public are well aware of the very heavy taxation we have to bear. It is said that India is the most heavily taxed country in the world. How can the Government expect to have anything like a substantial amount from a Small Savings Scheme when

they take away everything they possibly can by taxation?

As an alternative to direct nationalisation and state ownership, suggestions were recently made in the Legislature for the Government to obtain a controlling interest in important concerns. The method proposed, it seems, would be for the Government to buy enough shares in companies to secure control and, notwithstanding that the amount required would be large, they are apparently expected to be provided from the funds at the disposal of nationalised institutions like the Like Insurance Corporation of India. A reason given for the proposal seems to be that it would be cheaper to buy a percentage of shares and gain control over a company than to compensate all the owners of or shareholders in a fully-nationalised institution. The repercussions of the idea call for cautious and anxious examination. The Prime Minister, in the course of his address two days ago to the Federation of Indian Chambers of Commerce and Industry, appears to have realised the necessity for such examination. I venture to suggest that there should be official unequivocal disapproval of any such intention. While the Government are not generous in their compensation to owners of nationalised concerns — one school of thought is that they are not even fair—it falls to be considered whether the proposal of divesting existing shareholders of companies of control over their own concerns without paying any compensation on the basis of wholesale nationalisation is fair and justified. To me it savours very much of confiscation and is as objectionable as outright nationalisation, if not more so. Both the Insurance Act and the Companies Act regulate the acquisition of control by companies in other companies, but, when it comes to applying salutary principles like these to themselves, the Government appear to be quite reluctant to adopt them. Such methods, if adopted, would certainly sap the foundations of private corporate enterprise on which the prosperity of the country depends.

The Reserve Bank of India rate was raised from 3½ per cent to 4 per cent on May 16, 1957. In our case, any additional income due to the rise in Bank rate and higher rates of interest on advances tends to be cancelled out by the increased interest paid to our depositor-customers and the upward pressure of operating costs.

I would now refer you, ladies and gentlemen, to the balance-sheet and accounts.

The total at foot of the balance-sheet is over Rs. 98 crores. This is an increase of Rs. 2 crores over the figure of Rs. 96 crores of the previous year.

The profit figure for 1957 is about Rs. 93½ lakhs. This is an increase of about Rs. 1½ lakhs over the previous year's profit of about Rs. 92 lakhs. The increase is not great but, at least, there is no recession in the face of increasing costs and difficult trading. Before the profit figure has been arrived at, usual appropriate and prudent provisions have been made.

The provision for taxation absorbs Rs. 30 lakhs against Rs. 28 lakhs for the previous year.

A final dividend of 10 per cent, free of income-tax, is proposed, absorbing Rs. 30 lakhs. This, with the interim dividend of 6 per cent paid last August, makes the total distribution 16 per cent per annum, or Rs. 48 lakhs for the year, free of income-tax, on the present paid-up capital of Rs. 3 crores. The proposed carry forward is Rs. 16 lakhs against Rs. 15½ lakhs the previous year.

I think we have real cause for satisfaction in the result of the year's trading, having regard to all the

circumstances in which our operations have been conducted.

Mr. Dinsha K. Daji, who had been a Director of the Bank for 23 years, died on July 8, 1957. Mr. Daji was a solicitor of great experience, the benefit of which he ungrudgingly gave to the Bank at all times. My colleagues on the Board and I greatly miss Mr. Daji's wise counsel at our deliberations.

Five days after the death of Mr. Daji, the General Manager, Mr. D. R. Thom, died on July 13, 1957, following an operation. Mr. Thom served the Bank for 28 years, the last three of them as General Manager. He had the respect and confidence of the Board and, by his death, the Bank has lost an officer of the highest calibre. He was at all times courteous and was popular both customers and staff.

Mr. T. R. Lalwani, who held the post of Deputy General Manager, has been appointed General Manager. Mr. Lalwani is our first Indian General Manager and is an officer of much experience. He has served the Bank at Head Office and at various branches.

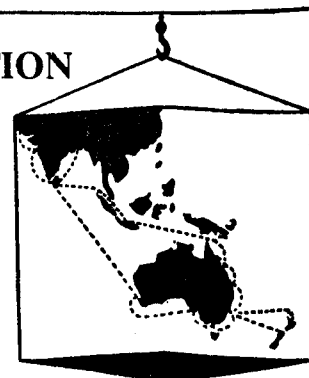
I have the pleasure to record the Board's appreciation of the help rendered during 1957 by our Local Committees at various centres.

I would also express the thanks of the Board, in which I am sure shareholders will join, for the efficient service rendered during the year by the General Manager and the staff of the Bank at Head Office and branches. Their ability and continued hard work in carrying out the directions of the Board are a material contribution to the results of the year's trading which I have placed before you.

Note: This does not purport to be a report of the proceedings of the Annual General Meeting which will be sent separately to shareholders.

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AND

WHOLLY OWNED SUBSIDIARIES

THE UNITED COFFEE SUPPLY CO., LTD., & STANES MOTORS (SOUTH INDIA) LTD.

With the Directors' 47th Report, and in addition to separate Statutory Balance Sheets and the various Account Statements which go with it, the Company has published a condensed Group Consolidated Balance Sheet and Trading Account as at 30-9-1957 of the Parent Company, combined with its subsidiaries and adjusted for different closing dates, which is a very revealing statement, and is to be commended.

The Trading Turnover for the Group has exceeded Rs. 200 lakhs (Rs. 170.66 lakhs). After providing for all usual working charges and Depreciation the Group Profit is Rs. 11,90,742 (Rs. 9,52,472). The Provision for Taxation is higher at Rs. 6.35 lakhs (Rs. 5.87 lakhs). The dividend on Ordinary Shares has been stepped up to 20 per cent (17½ per cent) absorbing Rs. 2.41 lakhs while Reserves are strengthened further by Rs. 4.24 lakhs (Rs. 2.76 lakhs). The figures in brackets represent corresponding figures of the previous year.

A summary of the combined Balance Sheet of the Group as at 30-9-1957 and a consolidated Profit and Loss Account for the year ended that date is given below:

(In lakhs of rupees)

CAPITAL, LIABILITIES & RESERVES

As on
30th September

Capital:

	1956	1957
Preference	1.50	1.50
Ordinary	11.56	11.56
Capital Reserves	4.21	4.70
Revenue Reserves including Surplus in Profit and Loss Account	28.65	33.70
	45.92	51.46
Minority Interest	0.44	0.28
Liabilities	38.54	40.89
Difference in consolidation	1.14	0.87
	86.04	93.50

ASSETS

As on
30th September

	1956	1957
Fixed Capital Expenditure	29.63	33.06
Less Depreciation to-date	15.18	17.20
	14.45	15.86
Investments	7.88	7.98
Current Assets	57.70	63.94
Cash and Bank Balances	6.01	5.72
	86.04	93.50

PROFIT & LOSS ACCOUNT	For the year ended 30th September,	
	1956	1957
By Sales	170.66	202.79
Miscellaneous Income	9.36	10.60
Closing Stock	24.23	35.60
	204.25	248.99

To Open Stock	23.00	32.53
Purchases	132.96	161.27
Administrative Charges, Directors' Fee, Working Expenses & Provisions	36.75	40.84
Depreciation	2.02	2.35
Group Profit for the year carried down	9.52	12.00
	204.25	248.99

Group Profit for the year brought down	9.52	12.00
Less difference in consolidation due to variation in dates of subsidiaries	0.02	0.09
	9.28	11.91

Balance brought forward from last year	0.76	0.76
Provisions withdrawn	1.47	1.44
	11.51	14.11

Less:		
Provision for Taxation	5.87	6.35
Other Provisions	—	0.29
Transfer to Reserves	2.76	4.24
Dividends	2.12	2.41
Carried forward	0.76	0.82

A strong financial position is revealed by the Group Balance Sheet as at 30-9-1957. The Reserves and Surplus aggregate to Rs. 38.40 lakhs excluding Minority Interests as against a Paid-up Ordinary Capital of the Parent Company Rs. 11.56 lakhs. The Investments in subsidiary companies stand at Rs. 10.25 lakhs while the Issued Paid-up Capital of the subsidiaries is Rs. 12.91 lakhs and the difference is credited in the Consolidated Reserves shown above. The Investments in other Companies stand at cost Rs. 7.98 lakhs, the market value of which on the date of the Balance Sheet is considerably higher. The current liabilities including taxation stand at Rs. 40.89 lakhs while the current assets aggregate to Rs. 69.66 lakhs. The Gross Block of the value of Rs. 33.06 lakhs has been written down to Rs. 15.86 lakhs.

The various Directors' Reports appended show an expanding business. The Assets backing to Rs. 10 Ordinary Shares of the Parent Company have increased to Rs. 43.60 per share, the current market quotation being Rs. 19.50 C.D. to yield on the 20 per cent Dividend

to be paid, a return of over 10.9 per cent Free of income-tax on an ex-dividend basis. Share quotations on the Madras Stock Exchange in 1957 have been Rs. 25.00 High and Rs. 19.20 Low.

The Trading Business of the Company, with headquarters at Coimbatore, covers through the United Coffee Supply Co., Ltd., the manufacture and sale of Stanes Coffee & Tea, a Brand well-known throughout India. To this has recently been added a Plant for the manufacture of Stanes Instant Soluble Coffee, the plant being the only one in India producing this commodity, which has already a wide distribution, backed by the expert experience of the company in the production of quality coffee over the past 50 years.

The second wholly owned subsidiary Stanes Motors (South India) Ltd., are dealers in Hindustan Cars and Studebaker Trucks in Coimbatore, Standard cars in Kerala and for Ferguson Tractors over the same areas, with their head office in Coimbatore and 3 branches. In addition they operate 5 factories in South India and one in Calcutta for what is probably and best known tyre retreading process of "Tyresoles". A recent addition in the factory in Coimbatore is the "Vaculug" process for the reconditioning of Tractor and Earthmover tyres and is the only factory dealing with the reconditioning of this class of tyre in India and for which there is a largely increasing potential demand in the present Five-Year Plan. Stanes Motors also operate a Town Bus Service in Coimbatore through Stanes Transport (Private) Ltd.

The Parent Company operates two Fertilizer factories, a Coffee Curing Factory and a general business largely connected with the Southern India Plantation Industry. The two well-known Rupee Planting Companies, started by T. Stanes & Co., Ltd., and under their Managing Agency are Messrs. United Nilgiri Tea Estates Co., Ltd., and Stanes Amalgamated Estates Ltd., which together last year produced over 20,00,000 lbs. of Tea, as well as some 54 Tons of Coffee. With development and expansion the Tea crops have doubled over the past 10 years. The Parent Company and subsidiaries own together 43.4 per cent of the Share Capital of Stanes Amalgamated Estates Ltd., The Estates are all in the Nilgiri District of South India.

It is of interest to note that the Founder of the business in Coimbatore Mr. (Later Sir Robert) Stanes left the U.K. for India in March, 1858, a 100 years ago. He died in Coonor in 1936, age 96, having spent nearly all his life in India, and was always intimately connected with the Plantation Industry in the South. His son, Mr. F. J. Stanes, who retired in 1939, is now on a visit to India. The present Managing Director, Mr. E. H. Stanes, as also the Visiting Agent for the Estates, Mr. N. J. Stanes, are grand-nephews of the Founder, Sir Robert Stanes.

The Company became a Public Company in 1956, when also, on re-organisation, Messrs. The United Coffee Supply Co., Ltd., and Stanes Motors (South India) Ltd., became wholly Owned Subsidiaries. The Directors are Mr. E. H. Stanes, M.C., Mr. C. E. Wootton, B.Sc., F.R.I.C., Mr. M. S. Ramaswamy, B.A., G.D.A., A.C.A. and Mr. N. J. Stanes.

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MYSORE

Balance Sheet of the State Bank of India as at 31st December, 1957

As at 31st December, 1956				As at 31st December, 1957			
Rs.	nP.	Rs.	nP.	Rs.	nP.	Rs.	nP.
Capital and Liabilities							
20,00,00,000 00				20,00,00,000 00			
5,62,50,000 00				5,62,50,000 00			
6,37,50,000 00				6,62,50,000 00			
24,75,000 00				74,25,000 00			
37,15,69,789 47				139,36,49,041 18			
31,04,63,523 31				32,95,50,633 55			
242,12,30,797 36				194,19,89,714 49			
173,91,97, 484 58				366,51,89,439 22			
16,00,00,000 00				15,00,00,000 00			
17,27,00,000 00				1,50,50,000 00			
1,27,00,000 00				16,50,50,600 00			
17,27,00,000 00				16,50,50,000 00			
4,59,11,751 91				5,11,49,642 23			
38,88,005 56				71,19,439 34			
65,31,366 41				28,97,164 89			
276,88,48,915 68				402,13,30,735 68			
90,00,000 00				90,00,000 00			
1,972 19				6,112 13			
2,89,71,804 80				1,32,23,652 44			
8,21,822 21				2,22,29,764 57			
1,99,69,832, 61				20,41,114 95			
34,37,334 92				41,91,361 65			
1,56,18,326 73				1,87,45,308 89			
1,90,55,661 65				2,29,36,670 54			
90,00,000 00				90 00,090 00			
2,50,000 00				25,00,000 00			
6,14,300 00				6,37,500 00			
40,00,000 00				32,00,000 00			
10,00,000 00				10,00,000 00			
10,00,000 00				10,00,000 00			
41,91,361 65				55,99,170 54			
280,28,33,904 34				405,12,00,785 74			

* Of which Rs. 49,50,000 is to be credited to the Integration and Development Fund (item 2A above) bringing the amount in the said Fund to Rs. 1,23,75,000.

Balance Sheet of the State Bank of India as at 31st December, 1957—Contd.

As at 31st December, 1956				As at 31st December, 1957			
Rs.	nP.	Rs.	nP.	Rs.	nP.	Rs.	nP.
Property and Assets				Property and Assets			
1. Cash :				1. Cash :			
In hand and with Reserve Bank (including foreign currency notes) ..				In hand and with Reserve Bank (including foreign currency notes) ..			
24,52,12,098 64						36,52,51,726 02	
2. Balances with Other Banks:				2. Balances with Other Banks:			
On current account				On current account			
On deposit				On deposit			
(i) In India Rs. .. Rs. ..				(i) In India Rs. .. Rs. ..			
3,25,75,749 56	3,25,75,749 56			2,99,41,288 90	2,99,41,288 90		
(ii) Outside India Rs. 2,99,41,288 90				(ii) Outside India Rs. 2,99,41,288 90			
1,06,66,666 67					2,00,00,000 00		
3. Money at Call and Short Notice				3. Money at Call and Short Notice			
4. Investments (Securities valued in accordance with Regulation 73; shares, debentures or bonds at or below cost)				4. Investments (Securities valued in accordance with Regulation 73; shares, debentures or bonds at or below cost)			
(i) Securities of the Central and State Governments and other Trustee Securities, including Treasury Bills of the Central and State Governments				(i) Securities of the Central and State Governments and other Trustee Securities, including Treasury Bills of the Central and State Governments			
93,80,71,576 62				171,39,21,576 97			
61,75,618 44					69,24,993 43		
1,09,83,750 00					1,35,69,525 00		
(ii) Shares authorised under the State Bank of India Act, 1955				(ii) Shares authorised under the State Bank of India Act, 1955			
106,87,78,275 39	11,35,47,330 33			9,99,17,860 48	183,43,33,955 88		
(iii) Debentures or Bonds				(iii) Debentures or Bonds			
(iv) Other Investments—Pakistan and other Government Securities, etc. ..				(iv) Other Investments—Pakistan and other Government Securities, etc. ..			
† Of which investments of the face value of India Rs. 18,45,00,000 and Pakistan Rs. 2,57,10,900 are pledged against borrowings from other Banks, Agents, etc., per contra.				† Of which investments of the face value of India Rs. 18,45,00,000 and Pakistan Rs. 2,57,10,900 are pledged against borrowings from other Banks, Agents, etc., per contra.			
5. Advances :				5. Advances :			
(I) Loans, Cash Credits, Overdrafts, etc.				(I) Loans, Cash Credits, Overdrafts, etc.			
(i) In India Rs. 151,03,81,182.53				(i) In India Rs. 151,03,81,182.53			
107,41,58,031 55				154,60,78,510 65			
(ii) Outside India Rs. 3,56,97,328.12				(ii) Outside India Rs. 3,56,97,328.12			
					18,86,95,948 69	173,47,74,459 34	
(II) Bills Discounted and Purchased				(II) Bills Discounted and Purchased			
(i) Payable in India Rs. 14,29,93,269.36				(i) Payable in India Rs. 14,29,93,269.36			
140,15,99,778 48	32,74,41,746 93						
(ii) Payable outside India Rs. 4,57,02,679.33				(ii) Payable outside India Rs. 4,57,02,679.33			
¶ Of which bills of value of India Rs. 7,00,00,000 are held by the Reserve Bank of India and Pakistan Rs. 1,50,00,000 are held by the State Bank of Pakistan as security against borrowings as per contra.				¶ Of which bills of value of India Rs. 7,00,00,000 are held by the Reserve Bank of India and Pakistan Rs. 1,50,00,000 are held by the State Bank of Pakistan as security against borrowings as per contra.			
6. Bills Receivable being Bills for Collection as per contra				6. Bills Receivable being Bills for Collection as per contra			
(i) Payable in India				(i) Payable in India			
65,31,366 41	38,88,005 56			71,19,489 34			
276,53,63,935 15	26,43,360 85			28,97,164 89	1,00,16,654 23		
					399,43,18,084 37		
(ii) Payable outside India				(ii) Payable outside India			
7. Constituents' Liabilities for Acceptances, Endorsements and Other Obligations per contra				7. Constituents' Liabilities for Acceptances, Endorsements and Other Obligations per contra			
8,21,822 21					20,41,114 95		
8. Premises less Depreciation :				8. Premises less Depreciation :			
Total Cost up to the 31st December 1956				Total Cost up to the 31st December 1956			
1,16,99,825 36				1,24,27,824 18			
Additions (Rs. 2,69,191.43) less Deductions (Rs. 9,654.78) during the year ..				Additions (Rs. 2,69,191.43) less Deductions (Rs. 9,654.78) during the year ..			
3,29,642 45				2,59,536 65			
1,13,70,182 91				1,26,87,360 83			
Amount transferred from the Imperial Bank of India during the year ..				Amount transferred from the Imperial Bank of India during the year ..			
10,57,641 27				6,923 37			
1,24,27,824 18				1,26,94,284 20			
Depreciation written off up to the 31st December 1957 less depreciation previously provided on property which has passed out of the Bank's possession ..				Depreciation written off up to the 31st December 1957 less depreciation previously provided on property which has passed out of the Bank's possession ..			
1,19,87,146 18	4,40,678 00			7,37,060 00	1,19,57,224 20		
9. Furniture and Fixtures less Depreciation:				9. Furniture and Fixtures less Depreciation:			
Total Cost up to the 31st December, 1956				Total Cost up to the 31st December, 1956			
50,37,487 22				68,98,645 49			
Additions (Rs. 21,64,692.41) less Deductions (Rs. 18,820.20) during the year ..				Additions (Rs. 21,64,692.41) less Deductions (Rs. 18,820.20) during the year ..			
13,77,178 17				21,45,872 21			
64,14,665 39				90,44,517 70			
Amount transferred from the Imperial Bank of India during the year ..				Amount transferred from the Imperial Bank of India during the year ..			
4,83,980 10				37,865 51			
68,98,645 49				90,82,383 21			
Depreciation written off up to the 31st December, 1957 less depreciation previously provided on property which has passed out of the Bank's possession ..				Depreciation written off up to the 31st December, 1957 less depreciation previously provided on property which has passed out of the Bank's possession ..			
59,57,945 01	9,40,700 48			17,28,219 96	73,54,163		

As at 31st Dec. 1956				As at 31st Dec. 1956			
Rs.	nP.	Rs.	nP.	Rs.	nP.	Rs.	nP.
Property and Assets—Contd.				Property and Assets—Contd.			
10. Other Assets, including Gold and Silver:				10. Other Assets, including Gold and Silver:			
Bullion				Bullion			
Adjusting Account of interest, commission, etc.				Adjusting Account of interest, commission, etc.			
1,87,03,055 79		1,18,08,047 62		1,96,84,953 23			
		68,95,008 17		1,56,45,245 74		3,55,30,198 97	
Stationery, Stamps, Suspense, etc.				Stationery, Stamps, Suspense, etc.			
11. Non-banking Assets Acquired in Satisfaction of Claims				11. Non-banking Assets Acquired in Satisfaction of Claims			
12. Profit and Loss				12. Profit and Loss			
280,28,33,904 34		Total		Total		405,12,00,785 74	

Rs.		nP.		Rs.		nP.	
Particulars of Advances							
129,31,08,391 72		(i) Debts considered good in respect of which the Bank is fully secured		156,76,21,076 13			
1,23,40,112 06		(ii) Debts considered good for which the Bank holds no other security than the debtor's personal security		1,72,76,592 66			
9,61,51,274 70		(iii) Debts considered good, secured by the personal liabilities of one or more parties in addition to the personal security of the debtors		14,98,76,790 55			
140,15,99,778 48		(iv) Debts considered doubtful or bad, not provided for		173,47,74,459 34			
3,53,554 40		(v) Debts due by Directors or Local Board Members or Officers of the Bank or any of them either severally or jointly with any other persons		6,89,374 64			
20,84,65,752 79		(vi) Debts due by companies or firms in which Directors or Local Board Members of the Bank are interested as directors, partners or managing agents or, in the case of private companies, as members		39,44,23,809 91			
3,71,004 33		(vii) Maximum total amount of advances, including temporary advances made at any time during the year to Directors or Local Board Members or Officers of the Bank or any of them either severally or jointly with any other persons		6,96,281 01			
20,99,17,974 71		(viii) Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the Directors or Local Board Members of the Bank are interested as directors, partners or managing agents or, in the case of private companies, as members		39,72,65,110 49			
8,54,92,061 09		(ix) Due from banking companies		9,16,37,225 14			

Profit and Loss Account for the Year Ended 31st December, 1957

Year ended 31-12-1956		EXPENDITURE		Year ended 31-12-1957		INCOME		Year ended 31-12-1957	
Rs.	nP.	Rs.	nP.	Rs.	nP.	Rs.	nP.	Rs.	nP.
						(Less provision made during the year for bad and doubtful debts and other usual or necessary provisions)			
1,58,87,349 61		1. Interest paid on Deposits, Borrowings, etc.	3,39,68,958 69	6,19,35,417 92		1. Interest and Discount		8,24,88,049 53	
		2. Salaries and Allowances and Provident Fund (including Salaries and Allowances of Chairman Rs. 60,268.00 and Managing Directors Rs. 97,361.13 for the year)	5,15,04,813 46	2,43,82,560 31		2. Commission, Exchange and Brokerage		3,54,21,066 94	
96,320 00		3. Directors' and Local Board Members' Fees and Allowances	99,540 00	3,34,583 71		3. Rents		3,31,433 81	
23,84,490 58		4. Rent, Taxes, Insurance, Lighting, etc.	27,86,528 57			4. Net Profit on Sale of Investments, Gold and Silver, Land Premises and other Assets			
1,14,096 34		5. Law Charges	98,529 14			5. Net profit on revaluation of Investments, Gold and Silver, Land Premises and other Assets			
18,58,426 46		6. Postage, Telegrams and Stamps	23,15,299 39			6. Income from Non-banking Assets, and Profit from Sale of or Dealing with such Assets			
50,000 00		7. Auditors' Fees	50,000 00			7. Other Receipts			
14,35,780 18		8. Depreciation on and Repairs to the Bank's Property	16,40,541 67			8. Loss			
25,20,581 82		9. Stationery, Printing, Advertisement, etc.	33,72,626 79			TOTAL		TOTAL	
28,71,125 60		10. Loss from Sale of or Dealing with Non-banking Assets	36,58,403 68						
1,56,18,326 73		11. Other Expenditure	1,87,45,308 89						
8,66,52,561 94		12. Balance of Profit	11,82,40,550 28						
		TOTAL	11,82,40,550 28						

REPORT OF THE AUDITORS

TO THE PRESIDENT OF INDIA,

We, the undersigned Auditors of the State Bank of India, appointed under Section 41(1) of the State Bank of India Act, 1955, do hereby report to the Central Government upon the Balance Sheet and Accounts of the Bank as at the 31st December 1957.

We have examined the above Balance Sheet and the Profit and Loss Account and the Accounts relating thereto of the Central Office and the Local Head Offices at Bombay and Calcutta and the Returns submitted and certified by the Secretary and Treasurer of the Local Head Office at Madras and by Branch Agents, which Returns have been incorporated in the above Balance Sheet and Accounts, and report (i) that, in our opinion, the Balance Sheet is a full and fair one, containing all the necessary particulars and properly drawn up so as to exhibit a true and correct view of the affairs of the Bank, according to the best of our information and the explanations given to us and as shown by the Books of the Bank; (ii) that where we have called for any explanation or information such explanation and information have been given to us and have been satisfactory; (iii) that the transactions of the Bank which have come to our notice have been within the powers of the Bank; (iv) that the Returns received from the Local Head Office at Madras and from the Branches of the Bank have been found adequate for the purpose of our audit; (v) that the Profit and Loss Account shows a true Balance of profit for the period covered by such account; (vi) that, in our opinion, the Balance Sheet and Profit and Loss Account are drawn up in conformity with the law; and (vii) that, in our opinion, Books of Account have been kept by the Bank as required by law.

The audit of the Books and Accounts of the Central Office has been carried out jointly by Messrs. S. B. Billimoria & Co. and Messrs. Ray and Ray. The audit of the Books and Accounts of the Local Head Offices has been carried out at Bombay by Messrs. S. B. Billimoria & Co. and at Calcutta by Messrs. Ray and Ray.

6th February, 1958.

S. B. BILLIMORIA & Co. } Auditors
RAY & RAY }

P. C. BHATTACHARYYA, Chairman N. V. GADGIL, Vice-Chairman B. P. PATEL } Managing Directors
S. P. PURI }

J. D. CHOKSI RAMNATH A. PODAR SACHINDRA CHAUDHURI }
PRATAPSIKH MATHURADAS D. R. GADGIL D. P. GOENKA } Directors
M. H. HASHAM PREMJI B. VENKATAPPIAH TRIGUNA SEN }

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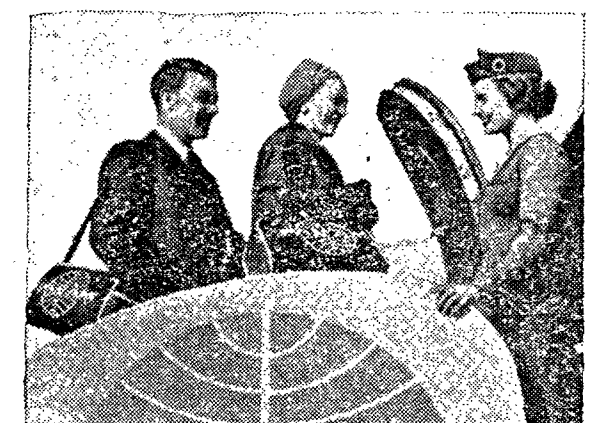
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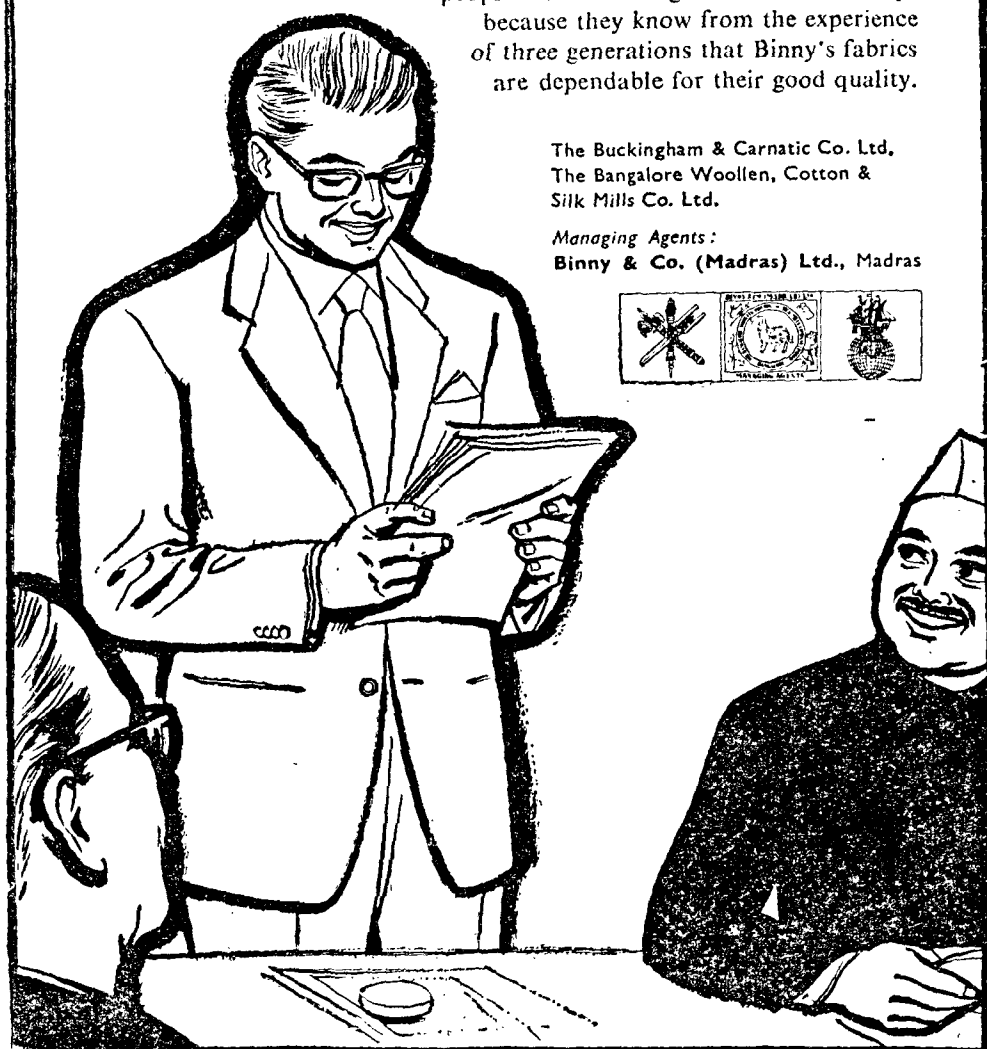
A matter of confidence

'CONFIDENCE' is essential in all human affairs. An advanced economy depends on confidence because of the interdependence of its members.

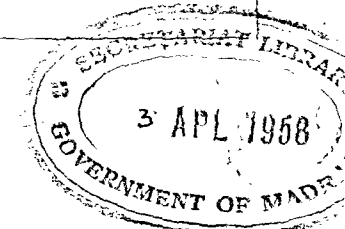
Confidence is the real backing for all forms of currency and credit, and for the reputation of business houses. For instance, people talk of having confidence in Binnys because they know from the experience of three generations that Binny's fabrics are dependable for their good quality.

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'The Eastern Economist' regrets its inability to publish this month's Blue Supplement on "The Foreign Exchange Situation" due this week because of pressure on the Press. The Supplement will appear along with the next issue, dated April 4, 1958.



The Eastern Economist

VOL. XXX. NO. 13.

NEW DELHI: MARCH 28, 1958.

ONE RUPEE

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India and New Zealand

NEW DELHI accorded last week a fitting civic reception to Mr. Walter Nash who heads the Labour Government of New Zealand — one of the smallest but one of the most prosperous countries of the Commonwealth. His was a visit which was much more than an essay at cementing Commonwealth unity for which the British Prime Minister, Mr. Harold Macmillan, had laid a newer and stronger foundation by coming to this country early this year; it was symbolic of that generous collaboration his country had been extending to India under the Colombo Plan. What was more, it had the political significance of allaying this

country's fears or suspicions about the SEATO; Mr. Nash's forthright remark, just after the recent SEATO conference at Manila, that this Treaty Organisation was not concerned with the Kashmir issue or the situation in Indonesia, which was an internal affair of the Indonesian Government, was as timely in a diplomatic sense as it was friendly to this country.

The New Zealand Premier's visit, it is worthy of note, also brought to the fore, both at the civic reception and at the State banquet in his honour, a certain kinship between the two countries. This kinship has its roots in their common pursuit of

cases like cement, the STC has not been instrumental in causing uncalled for displacements. It has followed scrupulously a prudent policy of retaining the tried agencies of trade in the spheres which it has taken over and functioned with their basic support. It has now come to stay as an integral part of the trading structure of the country and demonstrated its utility in certain directions. The "link arrangements" which it has made by virtue of our bilateral trade agreements

to open certain new avenues of exports are among its positive contributions to the development of our export trade. But it cannot be disputed that it has been allowed to expand its area too fast. Two years is too short a time to come to a categorical conclusion that it can assimilate all it has taken in its stride. Its capacity to absorb the shocks of trade fluctuations is still to be tested. It is right, therefore, that it should be asked to consolidate and not to expand.

Testing Time for Tea

THE testing time for the tea industry and for government policy on it has already arrived. Last year saw a sizeable decline in our earnings from tea exports which could not be sustained in spite of increased shipments. Export prices have been on the decline. The overall earnings from exports of common teas, the backbone of our trade, conceal the disturbing fact of sales of a number of individual varieties at a loss. The immediate impact of this trend on our foreign exchange prospect and its imminent repercussions on employment have forced attention to a situation which may well assume critical dimensions before long. Closure of gardens has threatened to cast its shadows over Assam. It is unfortunate that a plan for defensive action should be deferred until Government's hands are forced by an emerging crisis.

Nevertheless, a belated sense of urgency to apply remedial measures is now being shown. The Lok Sabha debate on the Commerce and Industry Ministry's budgetary demands tended to confuse the issue by diverting attention to the totally superfluous controversy over vesting the control of the tea export trade in the State Trading Corporation. No argument was adduced to show how this supposed solution could save the situation. The crux of the problem, however, demanded a direct answer. Although a cut and dried solution could not be produced, Mr. Morarji Desai gave the assurance that relief would be offered in the export duty without avoidable delay.

The nature of the export duty itself does not admit of a quick formula for simplification. In fact, as the Minister disclosed during the debate a formula is being evolved for the past two months now. A regionwise export duty is no answer to the problem at all, although the conventional distinction between North and South India as producers of superior grades and common teas lends colour to its suitability. It ignores the intra-regional diversity of crops in the North. How the problem raises difficulties is now fairly widely appreciated. Ad valorem export duty would go a long way to assist the industry. But positive hurdles will have to be demolished. In the first place varieties which have earned goodwill and popularity in the overseas markets cannot be taxed heavily. In actual administration there will arise recurring problems of identification, of assessment on blended exports, of valuation of quantities exported to London unsold, of actual hardship to producers who export only a small share of the crop, and so forth. A reduction of duty carrying the benefit to all the varieties and particularly to those which sustain the volumes of our exports must be brought about. The exchequer has to reconcile itself with the prospective loss of revenue. In fact, export duty ceases to be a potential source of income to the extent that it can be retained, from a commodity which is exposed to the onslaughts of aggravating competition. The solution

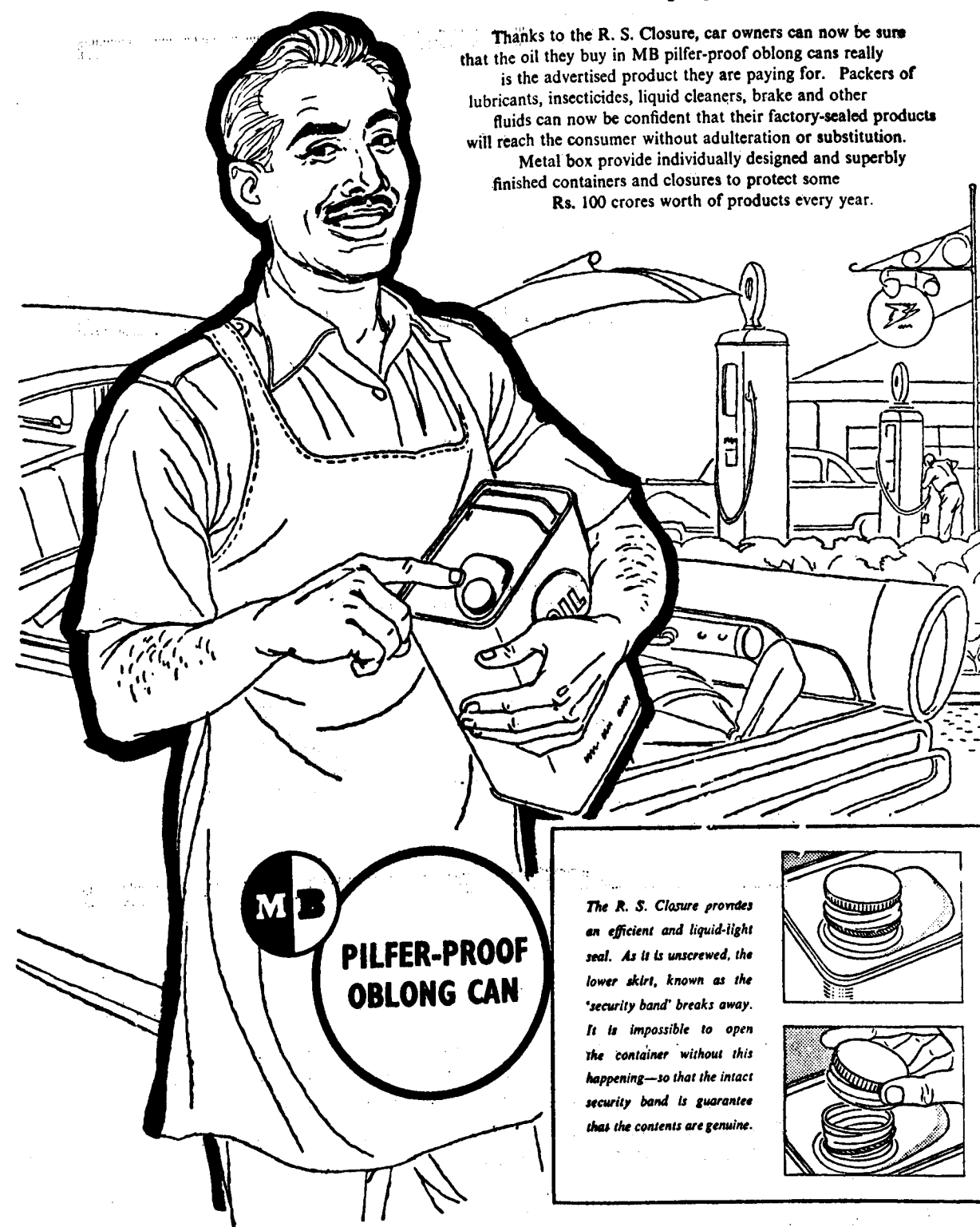
lies in adjusting the rate of the duty to meet the requirements of maximum varieties.

The prospect of acute competition is aggravated by two factors. In the first place, absence of an international agreement on tea has deprived the industry of regulated output and an equitable share in the export market at prices which would satisfy the needs of the industry as well as expectations of the consumer. India has no blame to incur for the non-revival of the agreement in a renewed form. She must wait until the necessity for concerted action asserts itself. But by and large, fiscal and welfare policies pursued by the Government cannot escape eventual responsibility, if they allow deterioration to creep in, until emerging export sources gain a firm foothold in the world market and encroach upon our major share of 45 per cent. There is another aspect of direct importance to this issue. Africa, Argentina, Brazil, Iran, Russia and Turkey are coming up as producers of tea. Bulk of their production is intended to cater to the domestic demand. Even so, it operates to cancel out some at least of the fruits of the propaganda for tea consumption. But an increasing part of it is coming into the export Markets. China and Indonesia will not be slow in resuming their pre-war shipments and actually their impact has begun to tell.

It is time a probe was made into this deteriorating prospect of the export market. If international competition demands it, the cost structure of the Indian tea industry must be readjusted. Africa offers a warning which we can ignore at the risk of our long-range stake in the tea export market. Its recent exports of 70 million lbs. may look to be only 16 per cent of our own. For one thing, they represent a progressive trend in a new exporting country and, for another, they come in direct clash with our common teas. It is ironical that our fiscal policy and legislation relating to labour should be so obliging to what is now emerging as our straight competitor. The argument is sometimes advanced that the margin of surplus in the financial structure of the tea industry can accommodate these fiscal and welfare burdens—an argument which is open to serious question. It is not realised that the burdens act as deterrents to foreign capital which would otherwise be averse to quitting an area which it has developed by patient labour over a century. Repatriation is under way and by a significant contrast foreign capital seeking investment in tea plantations finds warm reception awaiting in Africa. The case for rationalisation of the tax burden and welfare standards has been ably argued on an objective plane by the Chairman of the Indian Tea Association on the recent occasion of its annual session. What is already commented upon in these columns need not be covered over again. But the plea for rationalisation is worthy of earnest consideration, if only because we should be interested in safeguarding this key export industry.

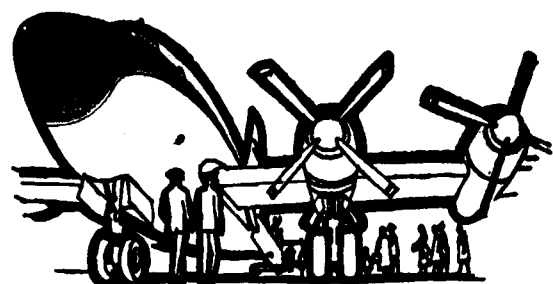
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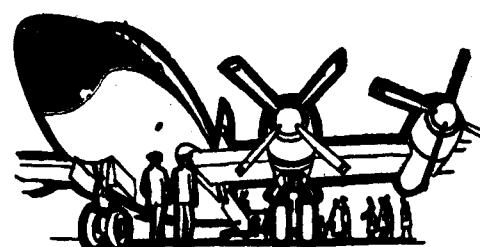


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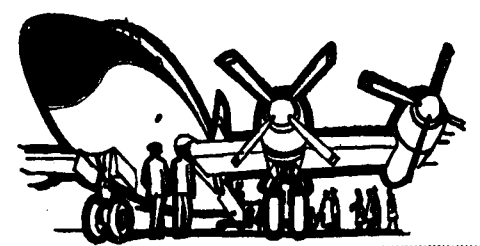
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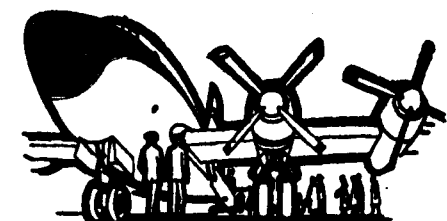
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WORLD-WIDE



BY B.O.A.C.



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BRITISH OVERSEAS AIRWAYS CORPORATION WITH QANTAS

THE WEEK'S NOTES

THE BOOMERANG AT MR. NOON

MR. FEROZE KHAN NOON the Pakistan Prime Minister, has made an intemperate attack on his country's Western allies and threatened them "to break all pacts and shake hands with those who are Pakistan's enemies because of these pacts". In the same speech, he even announced in the true Goering fashion that Pakistan "will prefer guns to butter... and... spend, if need be, half of our foreign exchange on arms". Whatever else may be his fault, Mr. Noon cannot be accused of reorientating his country's basic foreign policy, namely, hostility to this country. His predecessors, too, had never concealed that Pakistan's primary preoccupation was with India. Mr. Mohammed Ali of Bogra, the "father" of the present foreign policy of Pakistan, had been of the opinion from the very beginning that Pakistan's alliances and military pacts would render "easier the settlement of the Kashmir question".

The apparent cause of Mr. Noon's chagrin is that the Western countries have refused to give "positive" support to Pakistan on the Kashmir issue, to brand India as an "enemy" country, and to stop economic aid and assistance to her. Mr. Noon's statement once again vindicates India's well-known apprehension that it is only the "inveterate hatred of India" that has induced Pakistan seek aid from the Western camp. Its pro-Westernism is not based on any ideological considerations. As was expected, Mr. Noon's unbridled statement has boomeranged. The reaction to it both in the United States and Britain has been anything but complimentary to Pakistan. Some countries are surprised at Mr. Noon's rank ingratitude for all the help and assistance they have rendered to Pakistan. "The Batlimore Sun", has for instance, this to say: "Mr. Noon seems to have assumed for Pakistan a bargaining power which, in fact, Pakistan does not enjoy. All other considerations aside, the possession of Kashmir by a nation capable of switching sides expediently might not be in practice desirable". The influential London "Economist" has sharply told the Pakistanis "that they are free whenever they please to throw away their membership of free associations of States (like the Commonwealth, the Baghdad Pact and the South-East Asia Treaty Organization) which they, like others, entered voluntarily". These blunt statements will, it is hoped, inject sanity into the obsessed minds of the politicians who rule India's neighbours. Pakistan is through its own irresponsibility cutting itself to size.

THOUGHTS ON MR. JAIN'S VIEWS

MR. AJIT PRASAD JAIN, Union Minister for Food and Agriculture, inaugurated last week in Delhi the F.A.O. Centre on policy to support and stabilise agricultural prices and incomes in Asia and the Far East. His inaugural address underlined the need for "price stabilisation rather than mere price support for individual commodities considered in isolation" in view of India's experience that price supports by way of guaranteed minimum prices create an imbalance between the outputs of different competing crops. In the same breath Mr. Jain has regretted the state of unduly low wages and low incomes in agriculture. Does the Minister mean to suggest that stabilisation of agricultural prices will have to be at a higher level than now if the object is to increase the present low farm incomes?

Quite apart from the consideration if such stabilisation of prices at a higher level will suit the interests of consumers, there is the question whether Mr. Jain's simultaneous plea for higher wages would not inflate the cost factor. In the latter event net farm in-

comes may not have appreciably increased. The landowners employing hired labour for cultivation operations may, however, be expected to be shrewd enough to economies on labour costs by changing over from kind wages to cash wages when agricultural prices are higher. It does happen, not unoften, that the cash wages are so fixed, at the higher level of prices, that they represent less than the equivalent of the former kind wages. It is not inconceivable, therefore, that there will be a fall in real wages. Higher prices and bigger farm incomes for the landowners may still not end the state of unduly low wages, largely caused by the existence of a vast reserve army of rural labour.

If rural labour is not likely to benefit from stabilisation of the farm incomes of owners at a higher level than now, the non-producing consumer is not likely to fare any better under the new dispensation. Mr. Jain's view belittling the element of conflict between the interests of the producer and those of the consumer on the ground that the bulk of agricultural output does not come into the market, cannot hold water because the consumers (including all agricultural labourers who may be assumed to be receiving cash wages) represent as much as 45-50 per cent of the entire population. There can be no doubt that the interests of one-half of the population will be in basic disharmony with those of the other half. Mr. Jain's facile remedy for such meagre conflict of interests as there may be is the elimination of intermediaries, through co-operatives to reduce the costs of distribution. Whether the costs of co-operative distribution can be substantially less than the private traders' margin is open to question for the non-producing consumers and rural wage-labourers are mostly in rural areas and in small towns which are only glorified villages and do not, therefore, have to pay any unbearable distribution cost on account of their retail purchases of food grains.

ILLUMINATING INDEED!

THE KERALA Chief Minister, Mr. E. M. S. Namboodripad, gave an illuminating interview to the correspondent of the "New York Times". In it he candidly observed that the basic programme of the Communist Party of India at present was "to climb to power by capturing seat by seat and State by State". He also predicted that the Communists would capture power in two other States of Andhra and West Bengal in 1962 General Elections. Mr. Namboodripad made it "brutally clear" that this would be achieved through infiltration into the Congress, Praja Socialist and Socialist parties. Such an infiltration has been made possible, if not easier, he said, because "large sections" of these parties were fast moving towards the Left and were "hankering after socialism". A point would soon be reached, he asserted, where "alliance" with the Communists would "become natural and inescapable" to them.

It is perhaps with an eye on those "hankering after Socialism" in other parties that the Communists have all over the world been pretending to acknowledge their previous erroneous ways and revise their earlier positions. In India they have with a flourish disowned violence as a means of capturing State power and even swear fidelity in the preamble of their party's constitution to freedom of thought, speech, assembly, and political organization should they ever come to power. They also talk of the possibility of a peaceful social change.

That this renunciation of violence is tactical has now been vindicated by the Kerala Chief Minister's

own statement. He has unequivocally stated in his interview that "force had not been abandoned unconditionally but it had been dropped under present conditions and for the foreseeable future." Thus, the only virtue of the "new orientation" in Communist policy lies in its "recognition of necessity". Otherwise, as has been pointed out in these columns previously, love, kindness, generosity, justice and fairplay now said to be bubbling in their hearts are alien to Marxism. This essentially pragmatic creed is based on hatred and animosity. Its natural instrument for capturing State-power, therefore, cannot but be unmitigated mass violence. But in democratic States, Communists pose as the uncompromising champions of fundamental rights, popular liberties and profess to achieve and maintain power by democratic means. Wherever they are in power they are prepared neither to tolerate dissent, nor hesitate to liquidate people for opposing their rule. There will be, therefore, something amiss with the opposition parties in Kerala, and the non-Communist parties elsewhere in the country, if they cannot make this contradiction between the Communists' professions and Communist Government's practice more apparent before the next elections.

INDO-JAPANESE AGREEMENT

AFTER NEGOTIATIONS lasting many months, an agreement has been signed between India and Japan on a Rs. 40-crore joint project for a long-term supply of iron ore to Japan. Under the agreement, Japan will receive from India, from 1964 onwards, two million tons of iron ore annually, from Rourkela area through Visakhapatnam port, for ten years. To make this export possible, Visakhapatnam port will be substantially improved and a new railway line laid to connect the port with Rourkela as part of the joint project. The necessary expansion of the rail and port facilities are to be completed by 1964. On its part, Japan has undertaken to supply machinery and goods worth eight million dollars on deferred credit terms. A further loan of 23 million dollars is expected from the U.S. President's Regional Development Fund. The two loans will be similar in terms, though the U.S. credit will be repayable over a longer period. On the other hand, at least part of the Japanese loan can be adjusted against the price of the ore. It is further provided that if at a future date it is felt that a higher quantum of help is needed, the matter will be examined afresh by the two countries.

The price of ore will be the average weighted price charged from West European buyers. Japanese firms will be eligible for a special rebate which will be worked out from year to year. The quantity of ore to be supplied is, however, one of the points left over for further consideration. Mr. Nagano, leader of the Japanese delegation, wanted to consult representatives of other Japanese steel firms in Tokyo on the question of its grade and content before finalizing the matter. It is generally felt here that the needs of Japan's steel industry are likely to expand rapidly and that it will need much more than two million tons a year as time goes on. Any increase will have to come from new sources. Bailadila, in Madhya Pradesh and Sukinda, in Orissa are the two other sources which can be exploited to meet the increased Japanese demand. Under the agreement, both the countries are likely to be benefited; while India has been provided with the valuable foreign exchange to develop its mining industry, improve its port facilities and instal a new railway line, Japan has been assured the continued supply of iron ore on a fair and reasonable price for a fairly long period.

Now that the terms of agreement have become known, the delay in its finalization seems to be justified. The proposed joint venture was essentially intended to be on a long-term basis. The details were, therefore, naturally discussed carefully and precisely, so that once the project is launched its progress should be smooth and un-

interrupted. Prudence also suggested that the development programme should be flexible to leave enough room for later additions and expansion, as opportunities arise. One cannot help admitting that the agreement fulfils both these conditions admirably. There can be no doubt that the new area of collaboration that has now been opened between the two countries will be fully exploited.

THE KERALA RICE DEAL

THE KERALA Government has, at last, reluctantly decided to hold judicial inquiry into its recent rice purchases in Andhra. It is, however, rather strange that its decision has not been properly noticed by the press. Perhaps the smaller amount of money involved therein and the fact that it had happened in the smallest State in the country had something to do with this "lapse". Or, is it that the excitement over the "Life Insurance Corporation Scandal" is yet continuing and does not allow the press, and the public, to notice comparatively smaller "scandals"? But the Kerala affair cannot, and should not, be allowed to go unchallenged. Even more than the now notorious Life Insurance Corporation-Mundhra affair it is a challenge to the nascent Indian democracy; its purpose seems to have been to benefit the ruling party in Kerala.

The facts of the case, as brought out in the State legislature, are simple. In view of rice shortage in the State, the Kerala Government approached the Government of India for supply of rice which constitutes the staple food of the people there. The Union Government suggested that it should buy the rice from the neighbouring State of Andhra. The Kerala Government dutifully accepted the suggestion. But it was in the implementation of this proposal that certain established practices were circumvented and certain rules of procedure violated. Instead of buying rice through the Government of Andhra, the Kerala Government bought it in the open market — unsettling it incidentally. Moreover, the rice was not bought through the agency of "recognized" or "established" dealers and commission agents, but through its own handpicked men. The result could be augmentation of the Communist Party coffers, and not improbably that was the intention. In some countries, especially in Italy, this device has often been employed for procuring party finance. And it is difficult to remain indifferent to the fact that the prices paid by the Kerala Government were higher than the market price. It was largely on this score, it may be remembered, that the Chagla Commission found the "L.I.C.-Mundhra" deal indefensible.

RAYON AND SYNTHETIC FIBRE FABRICS

The Indian Standards Institution has circulated, for eliciting comments, a draft Indian standard method for determination of shrinkage on washing of fabrics woven from rayon and of synthetic fibres not liable to felting. Fabrics woven from rayon and synthetic fibres are liable to change in dimensions merely on soaking with water; the dimensional instability of the fabrics is liable to be higher when washed with soap. As fabrics made out of rayon and of synthetic fibres are usually washed with soap, the shrinkage behaviour is of obvious interest to the consumer. Comments on the draft standard may be sent before May 24, 1958 to the Indian Standards Institution, Manak Bhavan, 9, Mathura Road, New Delhi.

A CORRECTION

[In the last week's issue, on page 612 in the note entitled "Election in the Sudan", the words 11 million have appeared as 1 million. This printing error is regretted.—Ed.]

A Window on the World

ODYSSEUS IN SCOTLAND

By
ODYSSEUS

ONE EVENING last month when I happened to be listening to a discussion on the B.B.C., I overheard a speaker observe casually—"Well, let's face it: the UK is past the peak of its economic expansion. Industrially it is a decadent country. It can never hope to rival the expansion of the USA and the USSR". (In parenthesis, let us pay tribute where tribute is due. On what other nationally controlled radio service would a speaker feel himself free to make such a devastating comment on national affairs? It is precisely this freedom to speak fully and frankly which makes the B.B.C. the liveliest radio service in existence and gives it its world audience. American networks do not enjoy similar intellectual freedom because they are inhibited by the danger of offending advertisers. Of this I speak from first hand knowledge, because when some years ago I was taking part in an American forum programme, the sponsor gave me a friendly warning that I should keep off certain topics that I had in mind to bring up because they would upset his advertisers.)

My parenthesis being closed, I revert to the main stream. The suggestion that I overheard in the B.B.C. programme that the UK had now reached a phase of decadence in its long history provoked no special reaction in me at the time, but it pushed itself forcibly to the forefront of my mind when, a few days later, I embarked on a ten day tour to investigate the state of Scotland's economy. From this tour, I have just returned, and while there are black spots, and some disturbing phenomena, in the picture that I have brought back, it stands out a mile that whatever may be said in criticism of Scottish industry, it would be ridiculous to call it decadent. On the contrary, what was so exciting and encouraging was to find that Scotland's old established industries—shipbuilding, coal, iron and steel, heavy engineering etc.—have since World War II been undergoing a new Industrial Revolution which is transforming them out of recognition.

Secondly, what was so refreshing and stimulating was to find that despite all the disincentives to new enterprise, initiative, and adventurousness that pululate in a "mixed" welfare economy, I came across enough instances of small men who, having been shrewd enough to spot an unfilled economic want and inventive enough to think up an answer, are carving out flourishing businesses for themselves from modest beginnings—to the profit of themselves, Scotland, and the UK. I will detail some inspiring examples later.

IN THE SHIPYARDS

Of course, the whole world knows about the troubles of the Scottish shipbuilding industry in which rival unions compete for the allocation to their members of special jobs and bring whole shipyards to a standstill by calling strikes to enforce their claims as when, for example, the shipwrights have been at daggers drawn with the boiler-makers. We all know, too, about the restrictive practices enforced by some of these unions in order to make the volume of work available go round a larger number of workers. In combination, these demarcation quarrels and restrictive practices have been the biggest single contributory factor in sending up the costs of shipbuilding. This is as true as it is depressing to contemplate by anyone who would like

to see the standard of living of the workers rise. Nevertheless, as Sir Murray Stephen, Chairman of the great Clydeside firm of Alexander Stephen and Sons, pointed out to me, it is important to grasp that these all too frequent and world-widely publicised disputes are really symptoms of the transformation in the techniques of shipbuilding that have been, and continue to be, developed in the great Scottish yards, as in other parts of the UK. The unions were formed when shipbuilding called for men skilled in a diversity of trades. Since the war, more and more of these hand-finished, individual jobs, have been eliminated in favour of mass production methods.

What has impeded the application of these new techniques has been the cheap money policies of post-war UK governments, leading to inflation and over full employment. With inflation spread far and wide over the world, demand for ships (as for other commodities) has been voracious, and lengthening delivery dates and bottle necks in production—the classic symptoms of inflation—have persisted in the UK's shipbuilding yards. In such circumstances, when the employers have urged new techniques on the workers, the unions have retorted: "But look at your full order books! You can afford these costs and make a profit."

The men have difficulty in grasping how shortsighted this attitude is. If inflation leads to over full employment and choked order books, they cannot see anything wrong with it. Dear money policies inducing a measure of deflation and bringing with them a rise in the percentage of unemployment strikes them as utterly absurd. They do not realise that were the world to persist in inflation, the repercussions would eventually lead to unemployment and depression as surely as dear money policies unmodified by Keynesian techniques and applied inflexibly.

COSTS—TOO LOW!

I came across one of the effects of the shipyard workers' shortsightedness in Aberdeen, centre of the Scottish fishing industry, which is in difficulties because its costs are too high in relation to world selling prices for fish. It therefore needs a subsidy of some £2,000,000 a year to enable it to compete. But the biggest single factor in the rise of the finishing industry's costs has been the enormous post-war rise in the capital cost of building a trawler. So when an Aberdonian spokesman argued that, with the world prices of fish still falling, the subsidy ought to be increased, I suggested that it should not be found by the already overburdened tax payers and innocent consumers of fish but out of the pockets of the shipyard workers who were the cause of the trawler owners' financial plight. So little are the economics of inflation understood that this point of view astounded my trawler owning friend, who persisted in trying to convince me that it was not his costs that were too high but the selling price of fish that was too low. When I asked him why, he pointed out that the costs of foreign trawlers were too low!

All this may seem in contradiction with my opening remark that it would be ridiculous to describe the economy of Scotland as decadent. But as far as shipbuilding and the unions are concerned, I feel sufficient confidence in the ability of human beings to learn by

experience to believe that, as the inflationary fat is stripped from the UK's economy, employers and men will find means to come together to re-establish their industry on a profit making basis. In Sweden, ship-building workers are not divided into competing unions and any man may be called upon to do any job. Faced with the economic realities hitherto concealed by inflation, I do not doubt that the UK can do the same.

FREE ENTERPRISE: A SUCCESS STORY

To get back to cheerfulness, here is an example of what free enterprise can do if only it is given a chance. Mr. J. H. C. Andrew, who is 53 this year, started his working life as a garage hand at the age of 15. He is intelligent, hardworking, and reliable, so by the time that he was 25 his employers had made him manager of the garage. Next, he was promoted to be Sales Manager to a firm which specialised in grinding and honing and engineering accessories. Mr. Andrew reflected over the fact that when, for example, the shaft of a 50 ton armature of the electric motor driving a rolling mill becomes badly scored through normal wear and tear, removal for re-surfacing is often a major undertaking, involving the dismantling of part of a factory and its closure for several months. Likewise, when a tail shaft of a big liner needs repair, the bowels of the ship have to be taken apart and the ship immobilised for weeks. Not only do these operations take up valuable working time, but the established methods of machining cannot produce 100 per cent accuracy because when a heavy body of metal is turning in a machine there is no known means of controlling the flexibility of the metal and consequently inaccuracies and rough surface finishes are unavoidable.

There is nothing decadent about Mr. Andrew. He set to work to design a portable machine tool that will hone the metal surfaces of a shaft when it is in position, wherever it is. Neither ships nor factory works need to be dismantled for the shaft to be removed. Mr.

Andrew's machine tool hones it wherever it lies, and as it remains inert while his hone revolves round it (or inside it) the flexibility of the metal is not affected and 100 per cent accuracy is achieved as never before.

Mr. Andrew formed his own company with a capital of £1,000 in 1950. His works covered 700 sq. feet. In 1954 his turn over was £7,000 a year. Today his works cover 15,000 sq. feet, he employs 60 men, and has a turn over of £100,000 a year. "And that is chicken feet," he told me. "I haven't done more than touch the outskirts of my potential market. Just think of all the shafts of all kinds that there are in the world that need periodical maintenance."

Providing that economic progress develops steadily, Mr. Andrew reckons that in ten years time, he will be employing 5,000 men and have a turn over of £1 million a year. Already he receives cables from all over the world from ships and factories anxious to secure precision jobs done in a day or two instead of rough jobs spread over weeks. It pays them to fly out Mr. Andrew's tools, with their teams, by air.

A self-made man with vision and guts, honourably activated by the profit motive should be encouraged for the sake of the system of free enterprise which he symbolises. I therefore suggest that if you have any industrial job of grinding and superfinishing (external or internal), you had better write to Mr. J. H. C. Andrew, c/o Nicol and Andrew Ltd., Master Honers, Hillington, Glasgow, W.2., Scotland. One thing is certain, if Mr. Andrew had started as a garage hand in a repair shop in a nationalised industry, the chances are that you might never have heard of him. His imagination and resourcefulness would have had to burst through a tangle of service rules and committees.

Next week: More about Decadent Scottish Industry.



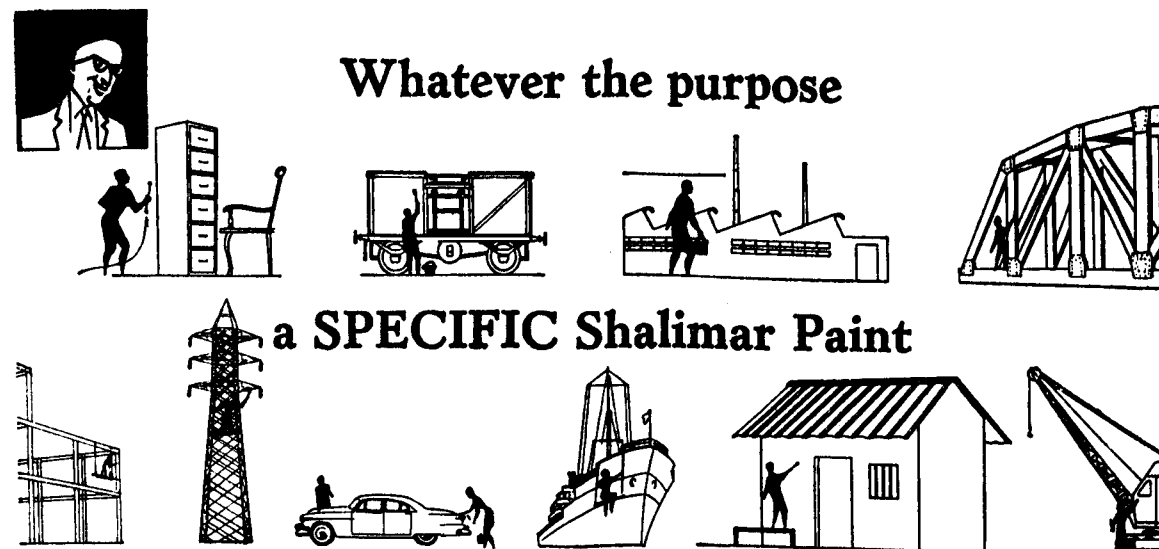
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definite target for the Plan period as a whole is proposed to be laid down as the Programme has to be formulated from year to year. The total number of new Ambar Charkhas to be introduced in 1958-59 has been fixed at one lakh while the figure for the current year is 85,000 Charkhas. The progress of the programme during the current year will be reviewed in the middle of 1958.

Resins from Tar Oil Fractions: A new process for making water soluble thermosetting resins has been developed at the Central Fuel Research Institute, Jealgora, Bihar. These resins are made by reacting crude tar acids obtained from carbonisation of coal or their alkali extracts with formaldehyde. Tar acids obtained from coal and wood distillation are treated with caustic alkali to convert them into alkali salts. The alkali salts so obtained or the caustic extract of crude tar acids as such are reacted with formaldehyde under controlled conditions to yield a water soluble thermosetting resin. The process is simple. The equipment required can be fabricated indigenously. Except formaldehyde which will have to be imported till indigenous product is established, all the other raw materials can be obtained locally.

TRADE

Holland's Exports of Paints, Lacquers and Varnishes: According to a statement made by the Varnish and Paint Manufacturers' Association, in 1957 Netherlands exports of paints, lacquers and varnishes amounted to some 12 million kg. (26½ million lbs.) to the value of about fls. 31 millions. The 1956 paint exports amounted to over 12.5 million kg. (27.6 million lbs.) to the value of fls. 30 millions. 58 per cent of the 1957 exports went to European countries, 17 per cent to Asia, 16 per cent to Africa and 9 per cent to countries in the western hemisphere. Owing to this wide distribution lower exports to certain countries could be offset by exports to others.

US Cotton Imports Rise: US imports of cotton continue to climb sharply, the US Department of Agriculture announced recently. Cotton imports in December, 1957 totalled 37,000 bales, compared with imports of 28,000 bales in November and 10,000 bales in December 1956. Imports during the period August—December 1957 were 119,000 bales—more than three times the 39,000 bales imported during the comparable period of 1956. Department of Agriculture officials reported. A large portion of this increase was in imports from Mexico, which totalled 70,000 bales in the August-December 1957 period, against 18,000 bales in the same period a year certain.

FINANCE

Deferred Payment Conditions for Certain Industries Relaxed: It has been announced in a Gazette of India Extraordinary that it will now be possible for the Government of India to issue import licences, without any conditions regarding deferred payments for certain industrial projects which the Government of India consider to be of sufficient importance for financing out of the Dollar credit from the Export-Import Bank of the United States. The industries are: (1) Engineering, (2) Chemicals, (3) Cotton Textiles, (4) Automobiles and (5) Coal Mining. As already announced, the US Export-Import Bank has agreed to make available to the Government of India a credit in Dollars for purchases to be made in the United States. For obtaining Government's approval in principle to the inclusion of any project under this credit, the industrialists concerned should apply to one of the following authorities for

the industrial groups mentioned earlier: (1) Industrial Adviser (Engineering), Development Wing, Udyog Bhawan, New Delhi, (2) Industrial Adviser (Chemicals), Development Wing, Udyog Bhawan, New Delhi, (3) Textile Commissioner, Bombay, (4) Industrial Adviser (Engineering), Development Wing, Udyog Bhawan, New Delhi, and (5) Coal Commissioner, Calcutta. A copy of the communication in each case should be sent to the Deputy Economic Adviser, Ministry of Commerce and Industry, New Delhi. The details, which the applicants should furnish, have been set out in a Public Notice published in the 'Gazette of India Extraordinary'. These include details of licences held under the Industries Act, the estimated value of the equipment to be purchased in the USA and the cost of insurance and freight, the commitments already entered into, the value of the output to be achieved from the project and the value of raw materials and components required annually and arrangements made for rupee finance.

Expenditure Tax Rules: Rules framed by the Central Board of Revenue under the Expenditure Tax Act of 1957 have now been published. These Rules come into effect on April 1, 1958, on which date the Act comes into force. Under the Act, every person who is liable to pay Expenditure Tax is required to submit a return of his expenditure in the prescribed form before June 30, 1958 in respect of assessment year 1958-59. Liability for the assessment year arises in respect of the expenditure incurred during the previous year. The Rules prescribe 'inter alia' the form of return of expenditure. They also prescribe the form of appeal to the Appellate Assistant Commissioner and the Appellate Tribunal. Printed forms of return of expenditure are expected to be available shortly with Income-tax Officers who are also Expenditure Tax Officers under the Act. Expenditure Tax is payable by individuals and Hindu Joint Families. No Expenditure Tax is, however, payable if the assessee's income during the previous year from all sources after payment of the taxes is Rs. 36,000 or less. Certain types of expenditure such as business expenditure, insurance premia, investments, repairs to buildings, donations for charitable purposes are totally exempt from expenditure tax. The Act also provides for a number of deductions, the most important of which is a basic allowance of Rs. 30,000. This basic allowance is also fixed at a higher figure in certain cases.

GENERAL

Training in Modern Forestry Operations: The Government of India has decided to organise a training centre in modern logging operations and timber extraction in mountain forests at Batote in Jammu and Kashmir State. The Centre has been located at Batote after a careful survey of the entire Western Himalayan region in Uttar Pradesh, Punjab, Himachal Pradesh, and Kashmir, as this place offers maximum facilities in a small area for training and demonstration in all aspects of modern timber operations.

Oil Prospecting in Eastern U.P.: The aeromagnetic survey had indicated prospects of oil in the Eastern Districts of U.P., said Shri K. D. Malaviya, Union Minister of Mines and Oil, in the Lok Sabha, recently. The Minister, who was replying to a joint question by Shri Raghunath Singh and others, stated that the Oil and Natural Gas Commission had taken up intensive surveys by gravity-magnetic and seismic methods in Moradabad, Bareilly, Shahjahanpur and Hardoi areas. Geophysical surveys of the plains of Eastern U.P., added Shri K. D. Malaviya, might be taken up in the succeeding years.

NEWS IN BRIEF

INDIAN

The Government of India have decided that for the financial year 1958-59, no deposits may be called for from companies either in respect of accumulated profits and reserves or of the current profits.

The Union Government have constituted an Industrial Committee on Mines other than Coal to deal with various problems relating to labour in non-coal mines.

An Indian delegation, will visit Bonn (West Germany) to sign the avoidance of double taxation agreement between the two countries, the details of which were settled last winter, when a West German delegation visited New Delhi.

It is reported small-scale and cottage industries in U.P. will soon be given the distinction of a full-fledged portfolio, distinct and separate from heavy industries.

The Government of India have decided to grant additional licences for the import of greases, mineral oils and lubricating oils to established importers during the current half-year, October 1957—March 1958.

It has been officially announced that the Government of India would issue import licenses without any condition regarding deferred payments for projects included in engineering, chemicals, cotton textiles, automobiles and coal mining industries.

The question of safety in mines, which has assumed a special importance since the recent accidents in coal mines, will be discussed at a conference of concerned interests to be held towards the end of June.

Eight more industrial estates are to be established in different parts of the country to provide factory buildings and other facilities for small industries under schemes approved by the Government of India.

A well-known American engineering firm has set in motion an ambitious programme of manufacturing a wide range of heavy machinery in India, which will not only save but earn foreign exchange for the country through export to neighbouring countries.

At the invitation of Mr E. M. S. Namboodripad Chief Minister of Kerala, Mr. G. D. Birla, the well-known industrialist, has agreed to investigate the possibility of setting up a wood pulp (rayon grade) plant in that State.

The Mysore Government proposes to float a public loan of Rs. 5 crores during 1958-59, it was revealed recently by Mr. Mariappa, State Finance Minister.

Rupees 87.7 lakhs of assistance has so far been extended by the Centre to the various State Governments for financing their schemes of settlement of landless agricultural workers.

The Directors of Indian Aluminium Company Limited decided at a meeting held on March 6, 1958 to recommend a dividend of 6 per cent on the ordinary share capital and a dividend of 5 per cent less income-tax on the preference share capital in respect of the year 1957.

FOREIGN

The Australian Government, in the next licensing period beginning on April 1, will partially lift the total ban on the issue of further import licenses for printed cotton textiles. This decision is contained in a Customs Department instruction recently issued.

The Australian Commonwealth Government has decided to continue assistance to the Australian cotton-growing industry.

It is reported more than 7,000 acres of rich soil in the Jordan river valley, will come under intense irrigation within two years.

Complete figures now available for tourist traffic in Greece during 1957 showed that there was an increase of 21.6 per cent in numbers over the previous year, and an increase of 32.9 per cent in foreign exchange earned from visitors.

Treating of higher grade ore by several leading Canadian gold mines resulted in Canada's gold production rising slightly in the past year. Output for 1957 rose to 4,419,383 ozs. a year ago, according to the Bureau of Statistics.

The West German industrial production index rose 2 points to 221 last month—5 points above the February, 1957 level (1936=100). It was, however, 10 points below December last year.

Lancashire Mills' produced a weekly average of 44,070 yards of cotton mixture cloth in the five weeks to February 1 or 3,150,000 a week more than in the previous month but below the equivalent period of 1957, when production was 45,460,000 yards.

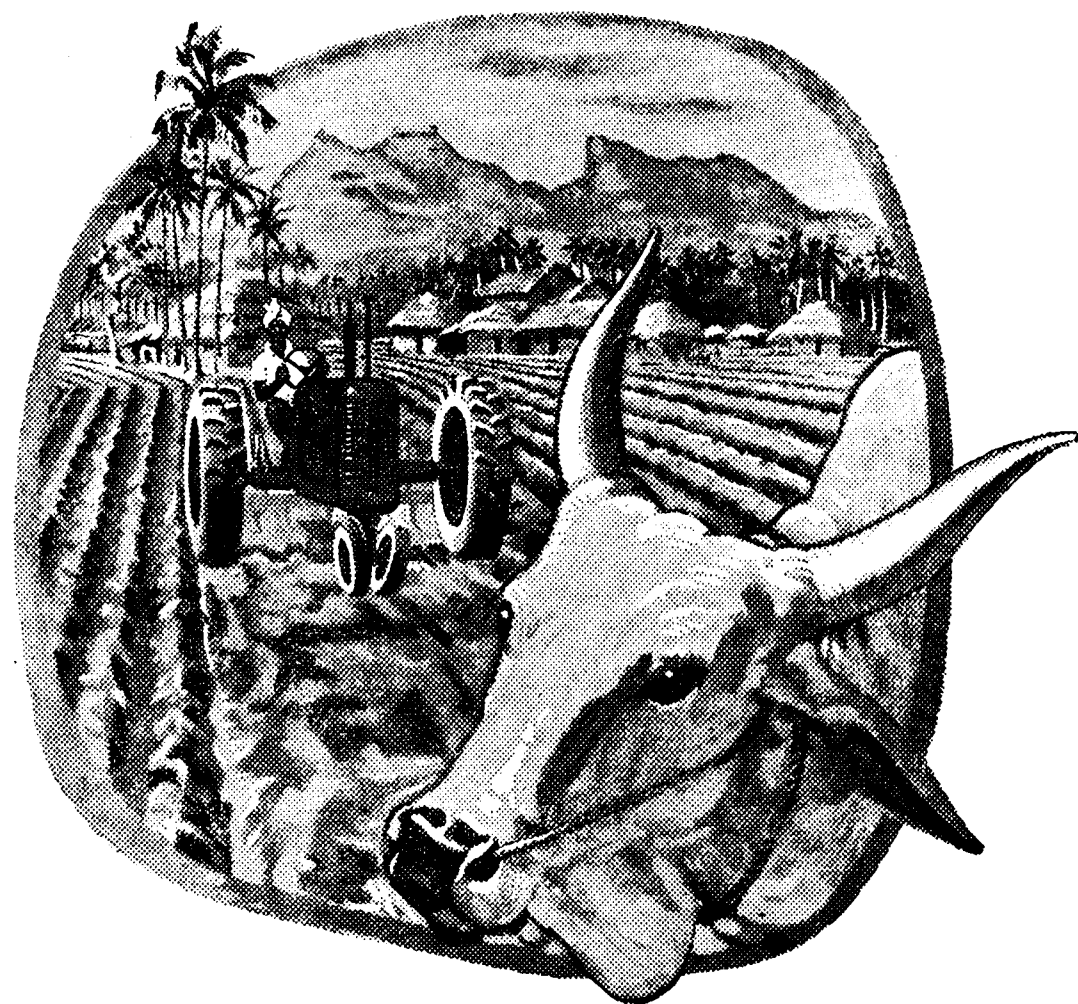
It is reported that the Japanese foreign currency allocation for wool purchases in the first six months of the next fiscal year—April-September will be little different to the current year—about 338,000 bales.

US resources of crude oil declined last year for the first time since 1943. The American Petroleum Institute reports that reserves at the end of the year were some 30,300 million barrels about 143 million barrels less than at the end of 1956.

Soviet industrial production in the first two months of this year was 11 per cent greater than in the same period last year, the Central Statistical Board announced recently.

UK crude steel production recovered last month from the low January level, but was still running below the rate achieved at the same time last year.

Oil production in Indonesia last year rose by 2½ million tons to 15 million tons entirely as a result of increased output from the Caltex fields in Central Sumatra, which accounted for nearly half the total Indonesian output.



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Special Article

WANTED: A COHEN REPORT FOR INDIA

IN August last year, a Council on Prices, Productivity and Incomes was set up in the United Kingdom under the Chairmanship of Lord Cohen for providing occasional reviews of changes in the economy. The first report which was released last month has been welcomed both in the United Kingdom and abroad as a masterly piece of economic analysis.

Two of the most important problems tackled by the Council relate to wage claims and inflation. The considered opinion of the Council in regard to wage claims is that a general rise in the wage rates exceeding that of the growth of productivity would produce an upward pressure on prices and would damage the external position of the country. Strangely, wage increases in the United Kingdom have regularly exceeded the rise in the cost of living. The Council has, therefore, recommended that if any wage increases are granted in 1958 they should be substantially below the average of the last few years. The Council has laid it down very clearly that in those occupations where productivity is rising fastest, wages should not be allowed to rise in full proportion to the increase in productivity. The underlined argument for this recommendation relates to the sympathetic impact of a rise in wages in one sector on the others. As a natural consequence, average wages then rise faster than average productivity and hence it is not possible to check a rise in prices.

Citing the example of last year, the Council has stated that retail price index in 1957 rose by over 4½ per cent. The average rate of rise in wage rates in the last few years has been 5½ per cent. Therein lies the root cause of the imbalance in the economy of the United Kingdom. When wage rates rise ahead of prices, no technique can be of avail in keeping inflation down.

An interesting conclusion drawn by the Council relates to the theory that a mild inflation does no harm to the economy; rather it tends to accelerate economic development. The Council has emphatically turned down the notion of tolerating a small amount of regular inflation as a price for continuous full employment. A complete stop to inflation and not a mere moderation of it has been recommended by the Council. The "moderate inflation" theory might be suitable for a country like the United States which does not have to bother greatly about its foreign trade position. For Britain, the export trade is of paramount importance because she has to keep her exports competitive in the markets of the world.

The Council's report is an elegant essay on price economics. While the conclusions may not be accepted in toto in all quarters, yet all objective economic analysts will give credit to the Council for framing its recommendations after a convincing analysis of the economic forces. Opposition to the report has come mainly from the labour unions. That was to be anticipated.

The manner in which the economic puzzle in the U.K. has been solved in this report does give credit to the members of the Council. It is right to ask if we in India could have a similar Council which could produce occasional reports about the health of the economy in an objective manner. Problems of the Indian Union are entirely different as compared with the United Kingdom. But the need for such an analytic report is extremely great because the reviews of economic situation in the country put out by various agencies are to a great extent biased ones. The President's address at the opening of a session of Parliament, the economic survey presented by the Finance Minister along with the budget and the annual report of the Governor of the Reserve Bank of India are all documents which analyse, to a certain extent, the economic trends in the country but since they come from interested sources, they tend to be subjective. It should not be difficult to find three outstanding men within the frontiers of this country who will be thoroughly objective in their analysis of the economic situation.

The need for having a Council almost on the same lines as the one set-up in the United Kingdom is urgent in India for another reason. At the moment, production both in the agricultural and the industrial sectors has received a severe setback. The industrial production in 1957-58 was only 4 per cent higher than 1956-57, and recorded perhaps the poorest performance since Independence. Even though the agricultural sector demonstrated a rise of 6 per cent over the preceding year, yet the pressure of rising food prices till August, 1957, could not be mitigated until imported foodstuffs were distributed through the fair price shops. The Council to be constituted for India will be called upon to review from time to time the changes both in production and prices.

The terms of reference for the Council will, therefore, consist in an analytical study of both production and prices in the Indian economy. A study of prices will necessarily take the Council's enquiry into various directions. Deficit financing will need sharp study from time to time. The Council will have to also review the question of resources and outlays for the Plan.

The Council if set up immediately cannot keep out of its jurisdiction the impact of a probable recession in the world markets. Very little is known in this country about the relationship between the internal price structure and a probable fall in the world markets, especially the United States. The Council must make studies from time to time to enlighten the Indian Government and the people in an objective manner about the probable course that the economy would take and the probable collective measures that would be essential for a safe sailing for the ship of State in case of further recession abroad.

It would be unwise to name three good men and true for this task. They are difficult to find, but they exist. In any case, a decision must be made on principles before persons.

Economic Report from the U. S.

BUSINESS INVESTMENT PICTURE

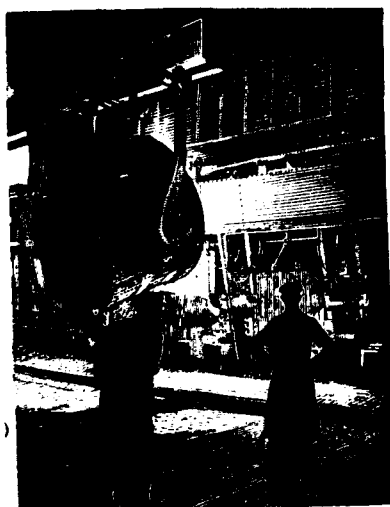
(By GUY SIMS FITCH)

WASHINGTON, March 18.—One of the year's most interesting pieces of economic information was released recently by the US government. It shows that American business men are planning to spend an estimated \$32,100 million on new plant and equipment in 1958. Some experts tend to see in this expenditure, large as it is, only further confirmation of a recessionary trend since it represents a 13 per cent decline from the 1957 record outlays of \$37,000 million. The truly amazing aspect, however, is the very fact that this staggering sum, which exceeds similar outlays for every year except 1956 and 1957 is being spent at a time when the economy clearly is in a downturn.

It is this aspect of the business investment picture which many economists are beginning to explore in some detail. They note that industry in the United States was operating at about 80 per cent of capacity at the end of 1957, and may well have dropped below that level since. Yet there it is planning to spend another huge sum on new and improved facilities. Apparently, there exists in the 1958 US economy a general acceptance of lower operating rates and higher margins of reserve capacity, without the concomitant fear of a severe business decline. Economists looking into this startling development have come up with several explanations, each illustrate of the changes that have taken place over the years. First, there is the widespread expectation of long-term and large-scale expansion of US economic activity, business concerns, particularly the larger ones, now are planning as long as five and ten years ahead in the knowledge that rising population and living standards require more productive capacity. In the meantime any existing excess capacity provides a reserve with which to meet any sudden spurts in demand. Second, large capital outlays make it possible for companies to modernize their facilities, and thus hold down their operating costs. It

is conceded that wages, that is labour costs, will continue to rise, and that consumers will continue to demand quality in the products they buy. New productive facilities help meet these continuing pressures, even when additional capacity may not be needed for the moment. Third is the adequacy of cash reserves. Despite the tight money of the past few years, business concerns by and large have been able to find the funds they need for a high level of capital investment.

Finally there is the very important factor of technical advances resulting from research. Many companies continue to make new capital investments, even when business is declining, in order to bring out new products or install new processes developed in research laboratories. As products and processes change, companies must maintain capital replacement and expansion programmes if they are not to fall behind the competition. And when a large percentage of sales has come to consist of new products, the old business-cycle theories no longer fully apply to investment policies. It may well be, then, that the entire concept of productive capacity is changing in the United States. Whether a given facility is truly excess can no longer be measured solely by its idleness, and unused capacity can no longer be considered as depressive a factor as it would have been a generation ago. On this basis, some temporary "overcapacity" may be the price of economic progress. This is particularly the view of Robert P. Ulin, a member of the economics staff of the McGraw-Hill Company, a leading publisher of business journals and pioneer in the study of business investment after a thorough analysis of this subject. Ulin concludes that new productive capacity, combined with an expanded research effort, has actually greatly increased both the stability of the US economy and its potential for continued growth.



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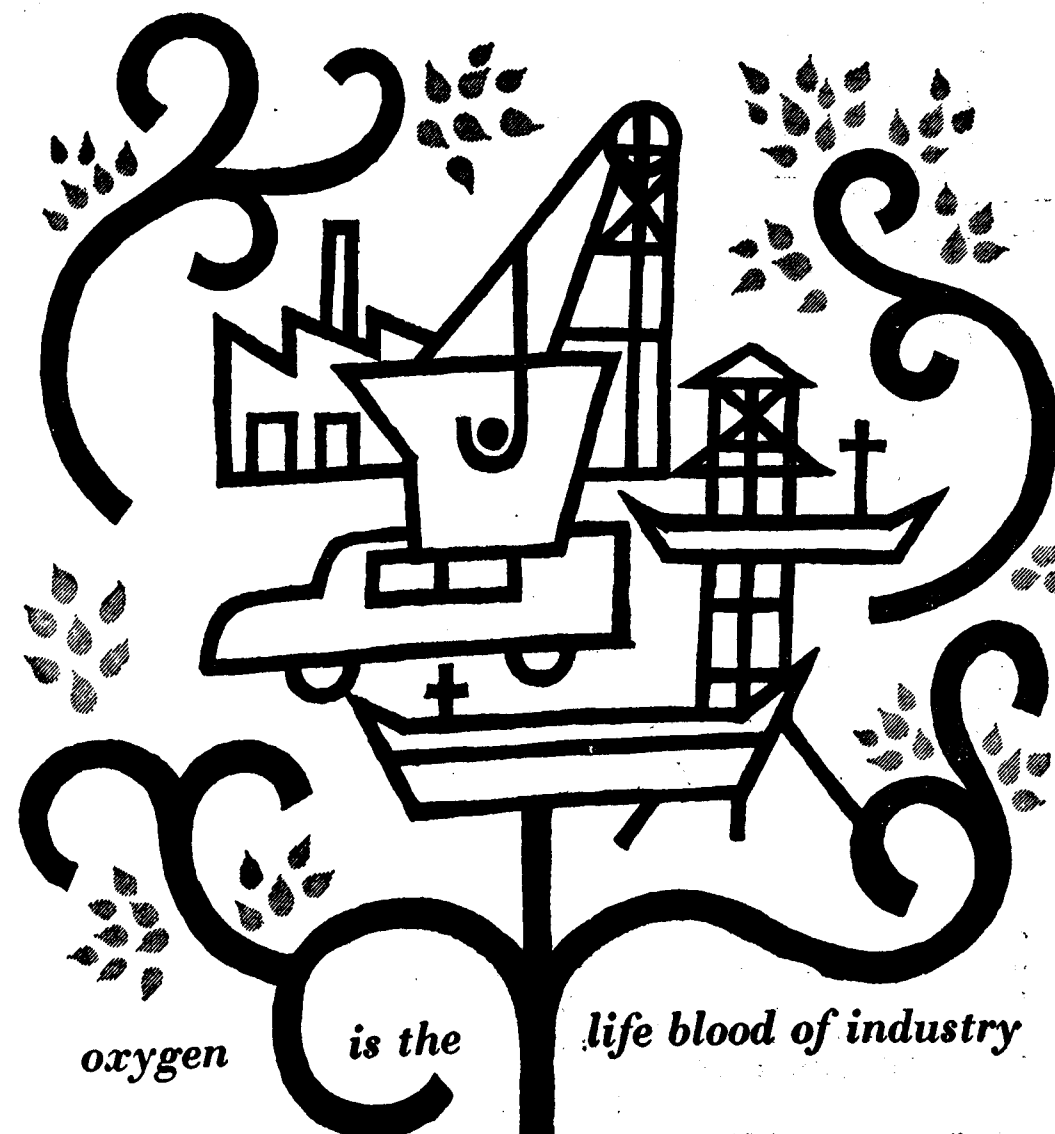
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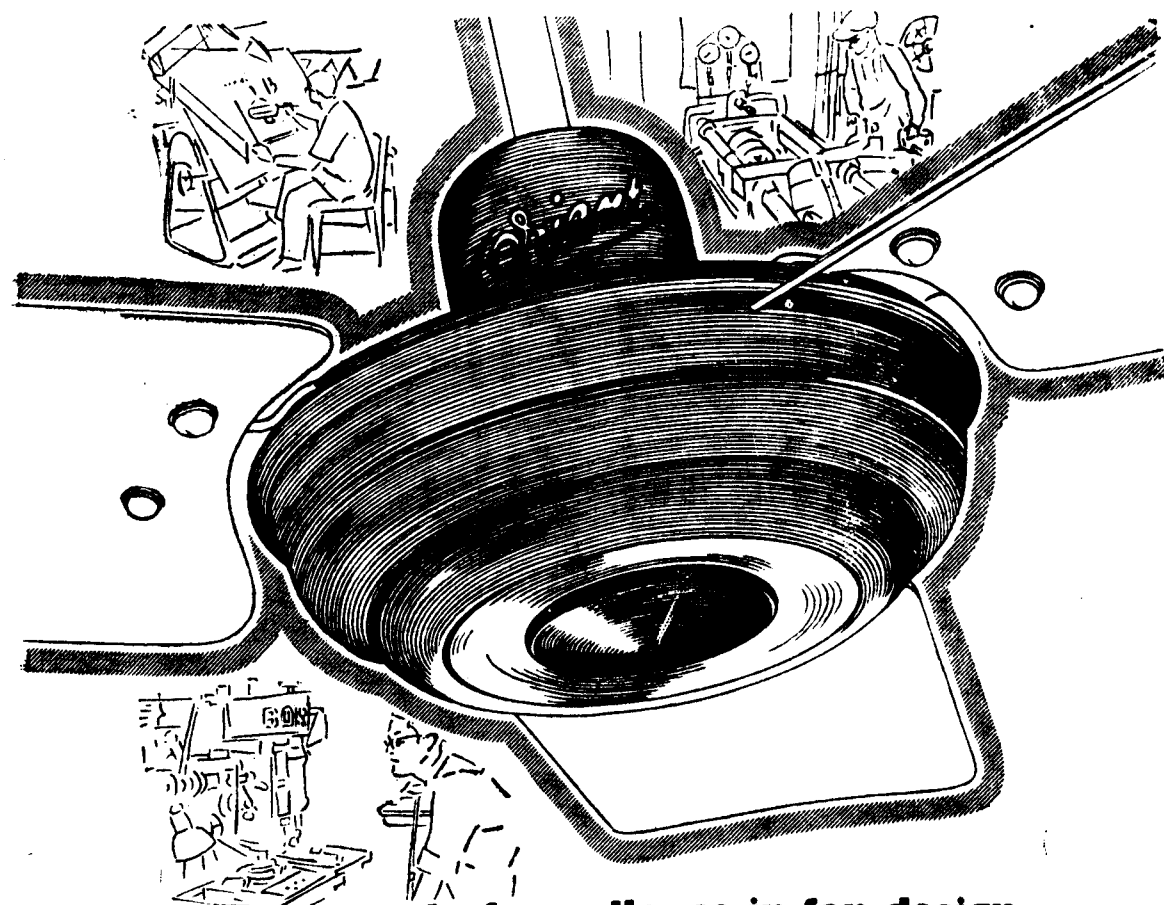
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A Letter to the Editor

LAND REFORM OR FOOD?

Sir,

Your editorial under the same caption in the issue of February 21, 1958, makes rather strange reading. Your interpretation that land ceiling will not affect, in the years immediately ahead "land ownership as such" in the light of the clear spirit of the Gauhati Resolution is unconvincing. Political expediency should not be so insincere. By ascribing motives to the landowners of South India you have tried to underrate the sincerity of their correct and necessary questioning of the spirit of the Congress Resolution. The pinching of the shoe has raised the cry from the wearer. It should not be ignored.

The position is this; that the purpose of imposing land ceiling cannot be properly confined or limited until and unless the concept is defined. Just as co-operative farming has created confusion in the ideology so has this concept of ceiling. Now it has become a policy and cannot be allowed to pass unchallenged.

You have also overlooked the administrative aspect of the process of implementation. Let me cite an example. The Madhya Bharat Jagir Abolition Act affecting about two thousand Jagirdars was passed in 1951 and Jagirs were resumed in that year. Even today, in 1958, the State has not been able to complete the abolition cases. The administration has mixed up monarchical and republican principles and has created absurd problems. For example a Jagirdar will not only receive compensation but will have to pay monarchical dues for his resumed Jagir by selling his other assets or from other income. If the administration takes seven year's time to settle at the most two thousand cases, how much time will it take for settling cases running in six or seven figures? What should the landlords do

till then? Compensation actually falls in their hands if at all it really does, after years of enquiries.

I think you have unnecessarily brought elections in the controversy. Let it be said that the Congress will lose more in the inevitable agrarian discontent. The psychology of the dispossessed landlord should not be ignored. In Madhya Pradesh the dacoit menace is mostly the creation of these land reforms.

Then, you say, that "the ceiling threat to owner-cultivation should be kept in abeyance for the duration of the second Plan on the compelling ground of maximisation of food production". Under the Damocles' sword of nationalisation the industrialists cannot muster strength to expand, but it is concluded that the land-owner can maximise food production by pouring capital in his land under the threat of ceilings! What is sauce for the goose does not seem to be sauce for the gander.

All the Marxian theoreticians are agreed that in the underdeveloped countries agrarian discontent forms the major plank for action. At least, that has been practised in Telengana.

The Chinese example is there and every one can draw his own conclusions to suit his pet theory. In my opinion by repeating the success-stories of foreign countries ad nauseam we have created diffidence. This is not good and helpful. We can succeed in the maximisation of food production by seeking the co-operation of the marked class of land owners rather than frightening them with the threats of ceilings and heavy doses of taxation.

Yours sincerely,
N. C. ZAMINDAR.

INDORE CITY
February 25, 1958.



The Business World

A BANKER'S VIEW

By
(CROESUS)

IF the observations on the role of the Reserve Bank made by Mr. T. T. Krishnamachari, ex-Union Finance Minister, at the annual meeting of the Associated Chambers of Commerce at Calcutta, provoked Mr. C. H. Bhabha, Chairman of the Indian Banks' Association (IBA) to dwell at length on the autonomous position of the Reserve Bank last year, it is the point raised in Parliament recently by a Member regarding the authority and independence of the Governor of the Reserve Bank that has possibly prompted him to revert to that subject in the course of his speech at the eleventh annual general meeting of that body, held on Monday last. The point at issue for all students of Indian banking is whether, after the Government has laid down the policy, a policy in the formulation of which the advice of the Bank itself has been sought and taken, it can interfere with the Central Banking authority in the implementation of that policy, unless there is something radically wrong in that implementation or some mala fide is established. If it does, it would certainly amount to the Reserve Bank being subservient to the Union Finance Ministry. This, however, has yet to be established in so far as the working of the Reserve Bank of India today is concerned, at any rate, as it has been more or less established in the case of the Life Insurance Corporation. But, even so, as in the case of justice, perhaps, it is necessary that the Reserve Bank must not only be autonomous but also appear to be autonomous. It cannot be said that this is so today as Mr. Bhabha rightly said, "despite all official and ministerial assurances of non-interference, the impression seems to prevail that there is a certain amount of subservience of the Reserve Bank to the Finance Ministry of the Government of India". Such an impression only tends to get confirmed, when, as the IBA Chairman pointed out in its justification: "The Reserve Bank remains silent about the policies of the Government as well as the extent to which it was necessary for it to invoke the various wide powers vested in it". In a democracy, the people have a right to expect from their Central Bank a correct and fearless assessment of the psychological and other effects of the extensive powers and restrictive weapons of their Government on the economy of the country, wherefore, Mr. Bhabha was quite right in demanding a clear re-enunciation of the autonomous position of this country's apex banking institution. There have been occasions in the past when Governors of the Reserve Bank have spoken fearlessly about certain wrong or misguided policies of the Union Government without provoking any question in Parliament which a thoroughly faithful and unbiased elucidation of the Government of India's economic policy abroad by the present incumbent of that high office has done lately. There is no sense in creating these high offices and picking out the best talents in the country to occupy them, if they are to have no independence, initiative or judgment of their own. And, on this point, I don't think there is any room for two opinions.

Now for some other observations of Mr. Bhabha on which there is ground for some differences of opinion. Take, for example, his view that it is regrettable that the popularity of the gilt-edged securities among the investors in this country is gradually diminishing. While it is a fact that there has been a downward tendency in gilt-edged prices since 1950, it cannot be

argued that this is disquieting. For fixed yield securities cannot but behave in this way, especially in countries with managed currencies and credit policies. This has happened in other countries, notably in the UK, where the 3½ per cent British Consols are today quoting only £65. The low gilt-edged prices, unless they can be categorically proved to reflect lack of confidence in a government, reflect only the state of the capital market and the pattern of yields on all investments generally. More often than not, in particular, for those who want to book profits quickly, it is the relatively higher yield on equities that provides the attraction. But, for credit institutions, although this may not be the primary consideration, any undue depreciation in gilt-edged values will affect their current profits,—and Mr. Bhabha must have had this in mind—and it is as an insurance against such a contingency that most banks, particularly British banks—presumably because of their bitter experience of frequent changes in the Bank rate—create large reserves for depreciation in investments and spread their fixed yield investments over different maturity periods. Compared to banks in India, it must be added here, the British banks are better placed in one respect, namely that, with their relatively larger turnover and immediate readjustment of interest rates to changes in the Bank rate, they are able to make larger profits and thereby find it easier to create large specific reserves against capital depreciation of their investments.

The I.B.A. Chief did well to refer to the sharp rise in deposits. It may be recalled that, last year, he had complained that an abnormal feature of banking in India was that, unlike in other countries, the increase in deposits of banks had fallen behind that in note circulation. During 1957, happily, the trend was reversed; thus, whereas note circulation in 1957 increased by only Rs. 40.72 crores scheduled bank deposits rose by Rs. 293 crores to reach the high level of Rs. 1,405 crores at the end of that year. Mr. Bhabha was anxious to make two points in this connection, namely that the scheduled banks strove their utmost to channelise savings to the banking system and that the very much sharper increase in deposits of the State Bank of India 'vis-a-vis' that of the scheduled banks was due to the depositing with the State Bank of official funds like the American Rupee counterpart Funds and compulsory Rupee Accounts of countries having bilateral trade agreements, and also as a result of the "extra pressure exerted on certain classes of organisations having direct or indirect connection with the Government". Besides these factors, it must be noted, there were also a few other contributory factors to the increase in time deposits, such as the attractive rates of interest offered by the banks, which, in turn, was the result of the rise in demand for bank credit outpacing the rise in the pace of growth of bank resources, and the increase in national income generally, consequent on the large developmental outlays of both the public and the private sectors. Be that as it may, despite the splendid role played by commercial banks in garnering the savings of the people thus, there is a feeling that such has not been adequately recognised, let alone appreciated. Hence it is that, Mr. Bhabha was provoked to comment: "It is rather strange that all concerned with this laudable service should have been dubbed to have a clerical mentality". Has not performance given the direct lie to it?

BUSINESS NOTES

A DYNAMIC POLICY FOR COAL PRICES

IN HIS presidential address at this year's annual session of the Indian Mining Association held in Calcutta on March 20 last, Mr. D. Hogg has put in a vigorous plea for a dynamic policy for coal prices. Such a policy is indispensable now if the coal plan is to be put through according to schedule. The private sector has demonstrated in concrete terms its capacity to fulfil its part of the coal plan. During 1957, 3.1 million tons out of the increase of 4 million tons in coal output was produced by the private collieries. This was equivalent to about one-third of the target of 10 million tons of additional coal fixed for the private sector in the plan. By a curious coincidence it so happens that the Estimates Committee of the Lok Sabha in its latest report has raked up the issue of the nationalisation of private collieries, especially those producing metallurgical coal. This obsession of the Estimates Committee with nationalisation need not be taken seriously at all in any responsible quarters, particularly when the private sector has proved that it can deliver the goods and the public sector has betrayed by its halting attitude that there is legitimate room for grave misgivings in regard to its ability to execute its onerous part of the plan.

Mr. Hogg has rightly emphasised that the decisions of the Coal Prices Revision Committee will have far-reaching effects on the implementation of the coal plan. Far from giving expression to a feeling of glee over the private sector's massive performance in 1957, he has uttered a note of caution and stated that the progress achieved last year can be regarded only as a short term achievement; it cannot admit of any complacency. Whether or not the private sector will be enabled to continue its onward march with progressive production will depend on the revised price structure which is to be introduced in accordance with the Committee's recommendations. He is right when he expresses a fear that the Committee which is composed exclusively of officials is likely to take a limited view from the consumer's angle. But there is also another angle from which the problem must be looked at. That is the producer's angle. The producer must be given a reasonable price which will accommodate a given profit margin adequate to enable the industry to re-invest for expansion. The large capital investments which are dictated by the targets in the plan cannot be obtained unless substantial reliance is placed on the ploughing back. The Committee has investigated the problem of production costs on the basis of the actual costs of some selected collieries in the second half of 1955. For 1958 as compared to the second half of 1955. For reasons elaborately stated in his speech (which appears elsewhere in this issue), the Chairman has cautioned in time that this basis for price fixation is out-of-date. It is essential that the additional factors of increased costs — for which the industry is not responsible — must be taken into consideration. If an adequate profit margin is asked for by the industry, its purpose is to finance development. The industry has even already gone a step forward and proposed that it would accept an obligation to earmark a definite part of the higher price for re-investment.

A POLITICAL DEFENCE OF TAXATION

THE SPEECHES of Mr. E. Parker, outgoing President of the Bombay Chamber of Commerce and Industry, and Mr. H. L. Murray, the incoming President, at the Annual General Meeting of that body held only a few days back in Bombay, cover practically every aspect of our economy that affects trade and industry. Among the several problems referred to by them, it was the criticism of the Indian tax structure by Mr. Parker that drew a staunch defence from Mr. Y. B. Chavan, Chief Minister of Bombay.

Since the Congress adopted the socialistic pattern of society as its ideal, the tax burden, both on industry and the common man has been mounting continuously. This load became practically unbearable when the Finance Minister introduced, in his budget last May, a series of onerous tax measures. The effect of all these measures was ably summed up by Mr. Parker in these words: "If one possesses capital, Government takes part of it; if one earns an income, Government takes a substantial part of it; if you spend money, you have to pay Government for the privilege of doing so, and now, even if you give it away, Government wants a share of it. And, finally, as if not content with all that, when you die, Government wants a cut out of what is left." The effect of such abnormal taxation cannot but be a severe blow to free enterprise, which is an essential ingredient of the democratic way of life that we have accepted. But the most obnoxious of all these measures is an annual capital levy, for, as Mr. Parker said, that is what, in fact, the wealth-tax amounts to.

Undaunted by the warning written in our current economic situation, Mr. Chavan, Chief Minister of Bombay, went on to say that the tax structure must reflect the ideal of the socialistic pattern of society and that the Government "cannot ignore the fact that the capacity to pay taxes depends not merely on the taxable income of an assessee reported to Indian income-tax authority but also gets largely reflected to his total wealth and of the economic power that he wields". This is, to say the least, a very unconvincing defence. Whilst thinking of taxing wealth — even that used for productive purposes — these neo-Kaldorians ignore the importance of further production of wealth. Production of wealth is possible only when there is incentive to produce. What incentive is there to one when one is taxed all round?

Justifying the wealth tax on companies, probably the most iniquitous and unfair measure that fiscal geniuses (or is it genii?) have devised the Bombay Chief Minister said: "If joint-stock companies were excluded from the purview of wealth tax, such exclusion would provide a large-scale opportunity for rich individuals to avoid wealth tax by safely transferring funds to companies that they own and control". This statement is remarkable for the novelty of the conception. Even a cursory glance at the list of shareholders of some of our biggest joint-stock companies reveals that not all shareholders are rich "capitalists" but just middle-class commoners. That apart, is it not necessary to plough back profits for the future expansion of companies and for rapid capital formation? Recent studies on the subject have clearly established that excessive taxation, has not only led to a decline in the revenue from taxes but has also retarded the mobilisation of resources — internal and external — needed for the implementation of the Plan. It is high time that responsible and understanding politicians like Mr. Chavan viewed these questions from a non-political and realistic angle.

THE OUTLOOK FOR JUTE

THE YEAR 1957 proved to be a testing time for the jute manufacturing industry. This was the first year in the past nine years when the industry had to operate in a situation in which the expansion of world economy had lost its high tempo. The off-take was maintained satisfactorily, in spite of the fact that demand at home showed some slackening. The overseas demand disclosed a changed pattern which underlines some vulnerable points. There was a marked fall in the off-take of our major export markets, which, however, was counter balanced by demand from other countries. Exports to

nature. The maintenance of coal prices at an absolute minimum really means that the Coal Industry is being utilised to subsidise manufacturing industries and national transport—the railways. Should a wasting national asset like coal be treated in this way to subsidise other industries, particularly when the nation's industrial future, steel production, is inextricably linked with the future of the Coal Industry? Should not others help to subsidise our future expansion?—Particularly when the country's Fuel Research experts tell us that there is a terrific wastage in the utilisation of coal in industry in India, and when there is a need to make them fuel efficiency minded. In other words, an increase in coal prices should not affect the general economy of other industries but should help them to achieve greater efficiency and at the same time provide the necessary funds for capital investment in the Coal Industry where it is urgently required to provide the necessary resources for increased production.

An analysis of the financial accounts of 19 coal producing companies of this Association which, between them, raise about one third of the total output of the country, reveals some very interesting information. The profit remaining after providing for taxation averaged Rs. 1.21 per ton. Out of this, the shareholders were paid in dividends Rs. 0.54 per ton. This represents a return of 6.3 per cent on the paid-up capital involved. It will be seen, therefore, that the share of profit distributed to shareholders was low compared with the general level existing for other industries, and this despite the additional risk involved in investing in mining enterprises. Now, the real value of the shareholders' investment must include amounts which are available for distribution but which are shown in balance-sheets under the heading "Reserve and Surplus." In this analysis, the total dividends paid to shareholder are found to be 3.4 per cent on the total value of the investment.

It is the complaint of the Industry that there are insufficient profits available to meet current needs and the analysis of these 19 Companies' accounts certainly illustrates that this is true. It is found, after providing for taxation and distributing dividends to shareholders, the balance remaining is Rs. 57 lakhs, out of which, amounts have to be set aside for depreciation. Against this total retention, there was spent on capital expenditure a sum of Rs. 88 lakhs. It will be seen, therefore, that the financial resources of the 19 Companies were depleted to the extent of Rs. 31 lakhs in one year only. Taking this to be the average for the remaining producers, the total for the Industry is in the region of Rs. 1 crore—a staggering figure. Investigation also shows that this trend has existed for many years. It will be obvious that no industry can continue to suffer this serious depletion of its resources in this way. The Coal Industry is one which has to meet regular demands for capital expenditure due to its very nature. Underground plant and equipment require continual repairs and replacement and it is a fact that capital expenditure becomes heavier after complete development to the boundary. Then comes the additional capital costs for pumping and stowing operations.

While, in theory, the amounts set aside for depreciation are intended to equal the original cost of an asset and to be available to meet the cost of replacement, it is well known that present day costs for replacing identical assets are very much higher than the original cost. It was argued before the Tariff Board on behalf of several important industries that the cost of replacement was 3 to 4 times greater in 1948 than in 1939 and it is common knowledge how much prices have risen in the last decade. This deficiency in funds has, therefore, to be made up in some way of the Companies' own resources. It is true that the Finance Act

of 1955 recognised this need and with the object of providing funds to be retained in the business, reduced the liability for taxation by providing a free allowance of 25 per cent of the cost of the new assets (Development Rebate). It would be interesting to consider an example of the position on the basis that a new and identical asset will cost 4 times more than the one replaced and taking into account the Development Rebate.

As the selling prices for coal are controlled, the onus is clearly on Government to fix these of such a level as to ensure that sufficient nett earnings, to meet present day requirements, will be available for ploughing back. It is hoped that the Coal Prices Revision Committee will take this realistic view as a basis for its recommendations.

To revert to the year's working, credit must be given to the Railways for their increased wagon offerings. Unfortunately, however, wagon availability has not kept pace with production and coal stocks in Bengal and Bihar at the end of 1957 stood at over 3 million tons and were over a million tons higher than at the end of the previous year. While the Railways' performance improved considerably during the year (an average movement of 3667 wagons per day with coal from Bengal and Bihar compared with 3405 wagons per day in 1956), they have a colossal task ahead of them if they are to move over 5,000 wagons per day from Bengal and Bihar by 1961. The Industry's fears over sufficient improvement not being achieved by the South Eastern Railway during the second Five-Year Plan period, appear now to be confirmed by the Railway Board themselves. Unfortunately, the South Eastern Railway System appears to have been strained to the extreme already in its efforts to meet its commitments under the second Five-Year Plan. These are extremely heavy as it serves Bhilai, Rourkela and Tatas' and is responsible for almost all the ore traffic both for export and internal consumption and serves a large percentage of the coking coal collieries and Selected Grade High Volatile coal collieries from where expansion is required. The South Eastern Railway also service all collieries in Central India. There have been rumours that coal targets for the second Five-Year Plan are to be revised and the Private Sector welcomes the thought that a larger share may be allotted to it. However, rumours that this increase is to be given to collieries in Central India cannot be received with much enthusiasm as production there is already much in excess of the Railways' capacity. In fact, there was no increase in wagon availability in the Central India and Talcher Fields in 1957.

The minimum guaranteed supply of wagons for the movement of coal by the South Eastern Railway in 1957 was 950 wagons per day. The coal Industry maintained that the figures should have been 1,050 wagons but even the lower target set was not achieved. Further increase in wagon offerings as required in 1958 and in the years to follow. An increase in coal production in the collieries served by the South Eastern Railway is now vitally required. With the present strain on its resources, it appears to be impossible for this Railway to move the number of wagons required. I would, therefore, emphasise the necessity for a re-grouping of certain sections of the Railways to relieve this strain. The Eastern Railway appear to have the capacity to operate adjoining sections of the South Eastern Railway (some of which they already operated in the past) and I would humbly suggest that they should now take over these sections with the least possible delay.

Another feature regarding transport which gives cause for great concern is the discrimination which is shown over the allotment of wagons between the Public

and Private Sectors. The Industry has drawn Government's attention to this on many occasions during the year but controls are still being used to the advantage of one sector. While it may be expected that Government will wish to purchase its coal requirements from the N.C.D.C. as far as possible, it does not appear to be in keeping with equity that controls should so be used that in effect priority which is given to one sector of the Industry is not shown to the other. The replies from the Secretariat on his vexed question of discrimination cannot be considered as satisfactory and there would appear to be a need for an impartial committee to enquire into this matter. Facts must be faced — why are heavy stocks held by one sector and not by the other? — should greater priority be given to the movement of coal to burn bricks for government staff quarters in preference to industrial housing or a housing estate?

The implementation of the Appellate Tribunal's decision in June last year has brought greater benefits to our workmen. In fact, they have probably received greater benefits in the last two years than workmen in any other industry. I have used the term workmen which also covers our female workers who are now in receipt of equal pay. We welcome these improvements. If they result in increased production, a more contented labour force and better relations. But, so far, there have been no noticeable changes in these directions and there is great scope and need for improvement. In fact, absenteeism has tended to increase since the All-India Industrial Tribunal's Award and the Appellate Tribunal's decision were implemented. One of the greatest problems which has faced the nationalised coal industry in the U.K. since wages increased so considerably there, has been absenteeism. It has been estimated that a reduction of 1 per cent in absenteeism in the U.K. would probably result in an additional 2 million tons of deep-mined coal per year being produced. It is interesting, also, that a solution has been offered by the Lancashire Mineworkers who have agreed, under the auspices of their local area National Union of Mineworkers, to set up "Attendance Committees" to scrutinise attendances and ultimately withdraw protection from a consistent offender if the management were to resolve, after warning, to sack him. Their Area Secretary has said that "there is no room in the industry" for a man who will not put in a full week's work.

Our Industry is by no means backwards in its structure. Our workmen have their own Bonus Scheme. They have their own Provident Fund and Welfare Organisation with separate Commissioner to look after their interests. We have our pithead baths, our canteens where food and other facilities are provided for workmen at concession rates and canteens are being introduced on an increased scale. The Welfare Organisation has built hospitals. In addition, it has built Multi-purpose Institutes and Miners Institutes and while more could be built and are being built, in keeping with the availability of materials, their construction is unfortunately, in excess of our workers' ability to utilise these facilities to the full. We for our part, wish them to be utilised to the full because we realise that they should bring about greater happiness and contentment. I cannot help but think sometimes that Union Leaders would be doing a great service to those whose interests they claim to represent and to the country as a whole if they were to concentrate more of their attention on encouraging and influencing their members to use the facilities which are offered at present and educating them for better things to come. It might be asking too much to expect Union Leaders to be social workers but surely we can expect them to have a more active social conscience. How many do we see encouraging

such activities as Sports or even attending Sports Meetings?

Unfortunately, our workmen are divided by a multiplicity of Unions which vie with each other for their support and which all claim, in their dealings with employers, to represent the workers' interests. Many Union Field Workers are divided by differences in political ideology and, in many cases, self-interest. In order to gain popularity and even maintain their position, these union officials organise demonstrations to attract support which leads to indiscipline within the Industry. The present activity of these leaders is not only destroying good relations between employers and employees but also between supervisory staff and workers and is also making the formation of responsible and properly constituted trade unions virtually impossible. In view of the unfulfilled elements present, few collieries can afford to organise Pit Committees and sometimes the formation of such Committees is even opposed by Unions.

While the Association welcomes the formation of a Steering Group to consider the question of safety in mines, the irresponsible nature of some Union leaders, on occasions, must not be lost sight of. Mining is a hazardous occupation and while a miner is constantly faced with the immediate perils of nature, good leadership and discipline is essential. Where the safety of the minor is involved there is no conflict of interests between the Unions the employers and the employees. Petty difference of opinion or of viewpoint must be subordinated to the overriding interests of providing safe conditions for mine workers.

I sincerely hope that the Steering Group will bring to light defects, if any exist, but our new Mines Regulations, based on past experience in India and the regulations existing in other countries, appear to be exhaustive and comprehensive. A most fundamental point is that education of our miners will require to be undertaken vigorously in order to achieve results and greater safety. Constructive help from the Unions is necessary to achieve this. This Association is at present bringing out a series of Safety Posters but it is difficult to make them sufficiently simple for illiterate labour to understand. Unfortunately, the required standard of education cannot be achieved in one generation but I am pleased to be able to say that there has been a revitalisation of our Labour Welfare Fund Organisation and the appointment of a new Commissioner has brought about greater interest in Multi-purpose Institutes where, among many other activities, adult literacy classes are held. It is hoped that our posters will be utilised to serve the dual purpose of teaching literacy and safety at the same time, at these Multi-purpose Institutes. In addition, several of our members have made their own safety slides which are shown at cinema performances in their collieries. I would emphasise the greater need for such activities and request Government to produce suitable safety films. Their Films Division are producing some very excellent films on other subjects and might well devote a few films to the subject of safety in mines. Such films would earn their real reward in the form of a reduction in the number of accidents in mines in India.

Mines in India have recorded one of the lowest fatal accident rates in the world in recent years but the recent disasters at Chinakuri and Central Bhowrah have brought home to us all once again the stark realities of mining. While we express our sincerest sympathy of the relatives of the victims and sufferers of these recent disasters, we must also record our appreciation to the very high standard achieved by our Rescue Station Organisation which compares favourably with similar organisations in other countries. It

is only at times like this that the public hears of their existence. They were present at Chinakuri and I understand did an excellent job of work. They are a brave band of citizens, largely voluntary, who turn out unfailingly, on such occasions not only to assist in rescue operations in emergencies but in mine recovery also.

The spate of legislation, not only concerning mining, but seriously affecting the stability of the Industry appears to be unending. I see from the Ministry of Labour and Employment's latest Report that they had a total of only nine enactments under consideration during the year and five of them specifically concerned the mining industry and another one affected us. In addition, we are constantly affected by legislation brought out by other Ministries, not to mention the controls and regulations which are imposed upon us by our own Ministry.

During the year, the Draft Mines and Minerals (Regulation and Development) Bill, 1957, was considered by the Lok Sabha and was then referred to a Joint Committee of both Houses. The Bill had been discussed with the Industry at the Mineral Advisory Board meetings held since 1956 but, without reference to the Industry, the Joint Committee made far-reaching amendments to the Bill, which was passed at the end of December last year. The most important amendment was that royalty would have to be paid at 5 per cent of the f.o.r. value of coal, subject to a minimum of 8 annas per ton, immediately the Act became law. Also, the rights of intermediaries appeared to be liquidated without payment of compensation. The amendment concerning royalty rates meant that on an average collieries in Bengal and Bihar would immediately have to bear an increase of 12 annas per ton in the royalty payable and in some cases the increase would be as much as almost Re. 1 per ton. Royalties in Bengal and Bihar at present range from zero in some cases to about Re 1 per ton and average about 4 annas per ton. It will be appreciated that royalty is a fixed charge for the privilege of exploiting natural resources and is an item in the cost of production. If the rates of royalty is increased by Statute, a Court of Equity, I would expect, would consider that selling prices should be increased correspondingly. The Industry has taken the opportunity of explaining to Government the far-reaching effects which the Mines and Minerals (Regulation and Development) Act, 1957, will have and it is to be hoped that amendments will be made to this Act before the effective date from which it will come into force, is gazetted.

Under the Coal Bearing Areas (Acquisition and Development) Act, 1957, the State has been empowered to take over unworked land containing or likely to contain coal deposits. Although the Bill in draft form was never placed before the Coal Industry for comments, the Industry has taken the opportunity to point out the difficulties with which it is now faced as a result of this Act. These are only two of the cases where drastic changes have been made affecting the Industry without reference to or discussion with them. In addition to the many Advisory Committees on which the Coal Industry is represented, we have our own Coal Controller and also the Coal Council which has recently been formed to act as the future policy makers for the Coal Industry. I would strongly urge Government to make the fullest use of these various Advisory Committees and the Coal Council before formulating policies or amending legislation, in future.

The foreign exchange shortage which has hit all industries throughout the country has also been acutely

felt by the mining industry as a large percentage of mining equipment and machinery has to be imported from abroad. I would, however, express our grateful thanks to our Coal Controller, who, at the end of 1956, started what is known as the Progress Review Committee, which has achieved results in some directions. This Committee held monthly meetings throughout last year and as a result of the presence of representatives from the Joint Chief Controller of Imports and Exports, the Regional Honorary Cement Adviser, the Iron and Steel Controller and other officials, a few of our shortages have been eased and we have at least had the opportunity of explaining our difficulties to the different representatives concerned. This has given the various Government Departments a greater insight into the problems which confront us. As far as the import of mining equipment and machinery is concerned, we have been allowed more scope to obtain essential items under Actual Users' Licences but we have lost or have had curtailed many facilities which existed previously, such as drawing our requirements through established importers. In many cases this has resulted in a loss of efficiency in those collieries which are no longer able to draw their requirements from established importers, who previously handled the items required, or from the stocks of spares normally held by them. There is no doubt, particularly as far as spares are concerned, that the present Import Policy results in a wastage of foreign exchange as it is abundantly obvious that it is preferable for spares to be canalised through one source, or a restricted number, rather than for each actual user to have to import his own requirements. Our grateful thanks are also due to the Deputy Coal Controller (Production) who is the sponsoring authority for licences required by the Coal Industry. Unfortunately, however, a sponsored application does not always mean that a licence will be issued in due course. In the case of certain items, there appears to be no provision in the present Import Policy. Also, our requirements so often are far in excess of foreign exchange allocations. Collieries have continued to experience serious shortages of iron and steel materials, particularly rails which are of such vital importance to the Coal Industry but at least we have the consolation of knowing that while there is an acute shortage of both indigenously manufactured iron and steel materials and foreign exchange to import them, at least we have had an opportunity of bringing our shortages to the notice of the authorities on one occasion each month.

Before I conclude, gentlemen, I want to pay a tribute to the valuable assistance which has been given to me by your Committee during the past year and to the Vice-Chairman, Mr. W. D. Forrest, who retired during the year after long service to the Industry, both in the Coalfields and in Calcutta. I would particularly like to thank Mr. Maulik and refer to the devoted service which he has continued to render to the Industry as a member of your Committee, after having been Chairman of this Association on two previous occasions. I thank the members of the Standing Coalfields Committee and their two hard-working Honorary Joint Secretaries and wish to record my appreciation of the services rendered by the Secretariat of the Association and the Joint Working Committee. I would also thank the Indian Mining Federation and the Indian Colliery Owners' Association for the co-operation which this Association has received from them during the year.

After the meeting, the following gentlemen were elected to the Committee for 1958-59. Chairman — Mr. D. Hogg; Vice-Chairman — Mr. R. Maulik; Members — Mr. J. N. Banerjee, Mr. N. B. Ghosh, Mr. W. D. Holton, Mr. Indra Kumar Karnani, Mr. R. H. Mody, Mr. H. R. Mondal, Mr. R. H. Wright and Mr. A. S. B. Yeoman.

America's Toughest Race

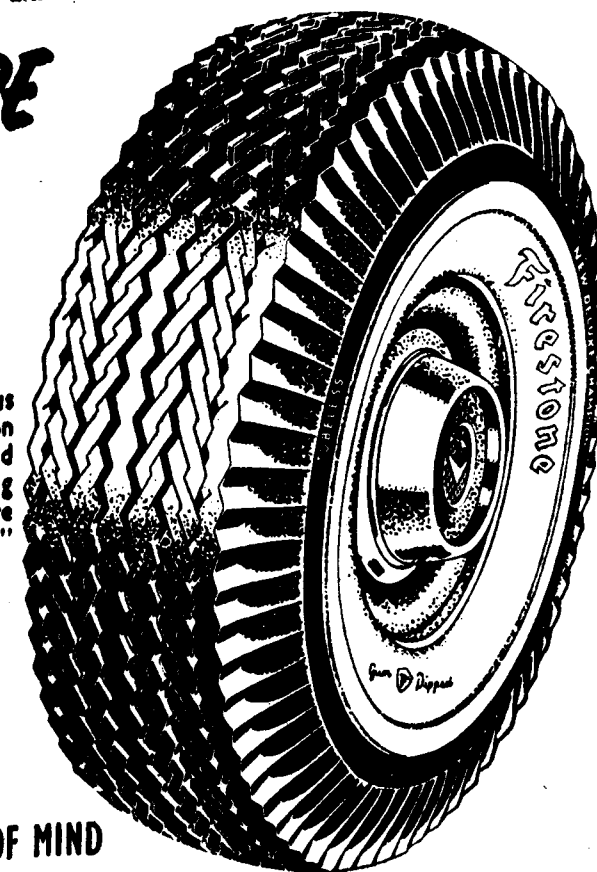


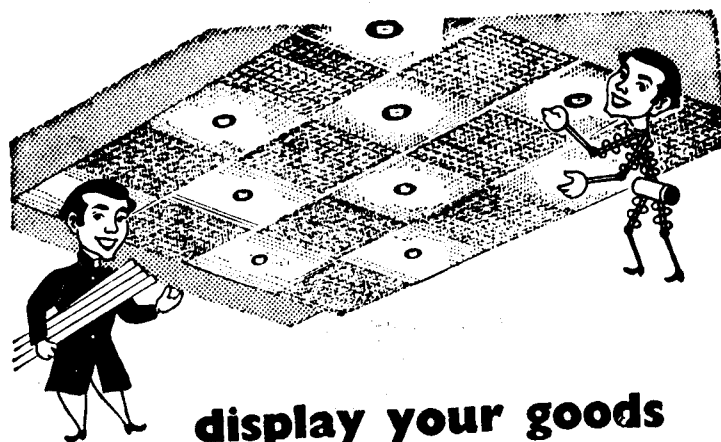
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COMMODITY NEWS AND NOTES

INCREASE IN ACREAGE AND PRODUCTION OF GROUNDNUT

According to the Directorate of Economics and Statistics, Ministry of Food and Agriculture, the all-India final estimate of groundnut for 1957-58, puts the current year's area and production at 14,457,000 acres and 4,271,000 tons of nuts in shell respectively, as against the partially revised estimate of 13,450,000 acres and 4,200,000 tons of nuts in shell for 1956-57. This shows an increase of 1,007,000 acres or 7.5 per cent in area, and 71,000 tons or 1.7 per cent in production during the current year as compared to last year. The increase in acreage during the current year has been shared mainly by Bombay and Uttar Pradesh, and has been attributed generally to favourable weather conditions at the sowing time. The increase in acreage has, however, been offset to some extent by decrease recorded mainly by Mysore and Andhra Pradesh. The increase in production has also been reported mainly by Bombay and, to a smaller extent, by Mysore and Uttar Pradesh, and has been attributed partly to increase in acreage and partly to favourable climatic conditions during the growing period. The increase in production has, however, been offset to some extent by decreases registered in Andhra Pradesh. In Nellore, Kurcnool, Mahabubnagar, Nalgonda, Khammam and Karimnagar districts of Andhra Pradesh, the crop was reported to have suffered from inadequate rainfall.

STANDARD SPECIFICATION FOR CORN FLAKES

The Indian Standards Institution has published a specification for corn flakes (IS: 1158-1957). In this

standard, therefore, the vitaminized corn flakes, enriched with thiamine, riboflavin and niacin, have also been envisaged, beside the ordinary variety of corn flakes. The standard specifies limits for moisture, total ash, acid insoluble ash, crude fibre, etc. Besides these, the methods of tests for determining conformity with the requirements have also been included. In order to ensure that the sample taken is truly representative of the consignment, it has been laid down that the sampling shall be done according to the prescribed method. The mode of packing of the material has been laid down in order to ensure that it reaches the consumer in good condition. Along with this, the method of marking has also been specified. Copies of this standard, published in English, can be obtained from the Indian Standards Institution, Manak Bhavan, 9, Mathura Road, New Delhi-1, and from its branch offices at 40/40A, Cawasji Patel Street, Fort, Bombay-1; P-11, Mission Row Extension, Calcutta-1; and 23, Nungambakkam High Road, Madras-6.

INCREASE IN COFFEE CONSUMPTION

The consumption of coffee in India has increased by nearly 4,000 tons in the last two years. Against the total consumption of 22,288 tons in 1955, the consumption in 1957 was 26,202 tons. The total production of coffee had gone up from 25,025 tons in the crop year 1954-55 to about 42,000 tons in the crop year 1956-57. The exports of coffee in the financial year 1954-55 were 10,144 tons. Although there was a decline in 1955-56, when the exports totalled 3,065 tons, exports again increased in 1956-57 to 9,358 tons.

EXPORT DUTY ON COTTON LINTERS ABOLISHED

The Government of India have decided to abolish the export duty on cotton linters with effect from March 14, 1958.

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CURRENT STATISTICS

INDEX NUMBER OF WHOLESALE PRICES

(Base: 1952-53=100)

		Food articles	Liquor & Tobacco	Fuel Power Light & Lubricant	Industrial Raw materials	Manufactures			All Commodities
						Inter-mediate Products	Finished Products	Total	
1953-54	..	108.7	98.6	99.2	109.7	98.5	99.0	98.9	104.5
1954-55	..	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.5
1955-56	..	86.6	81.0	95.0	99.1	100.1	99.6	99.7	92.4
1956-57	..	102.2	84.3	104.1	116.0	110.9	105.5	106.2	105.2
August 1957	..	112.1	92.1	114.7	120.1	108.2	108.6	108.6	112.0
September	..	108.5	93.7	114.5	115.4	107.3	108.9	108.6	109.5
October	..	107.2	95.0	114.5	114.8	106.7	109.1	108.6	108.8
November	..	107.9	96.5	115.0	116.0	106.0	108.8	108.4	109.3
December	..	104.0	97.5	114.9	115.4	105.7	107.8	107.5	107.0
January 1958	..	102.5	96.4	114.6	113.6	106.7	107.8	107.7	106.0
February	..	100.8	96.7	114.8	111.1	105.8	107.7	107.4	104.6
Week Ended	..								
8-2-1958	..	100.0	96.7	114.5	110.5	105.5	107.4	107.1	104.1
15-2-1958	..	100.9	96.7	114.8	111.9	105.4	107.9	107.5	104.8
22-2-1958	..	101.3	96.7	114.8	110.8	106.3	107.7	107.5	104.9
1-3-1958	..	101.4	95.2	114.8	109.9	106.0	107.6	107.4	104.7
8-3-1958	..	101.6	95.2	114.8	110.4	106.4	107.9	107.7	105.0

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

period	Bombay			Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934 = 100	Ahmedabad July 1927 = 100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936 = 100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	138
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	260	143	351	441	380	169	330	161	154	141
1953	346	363	276	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	218	130	321	371	364	133	321	134	135	132
1956	336	352	244	142	347	424	397	151	356	152	146	145
1957	352	368	259	150	364	448	—	162	375	157	158	152
1957 April	339	355	256	148	345	427	415	162	369	161	152	148
May	346	362	257	151	352	441	420	163	369	157	156	150
June	352	368	259	152	371	446	423	168	373	159	156	155
July	358	374	263	152	371	459	424	165	375	159	164	155
August	359	375	265	155	375	468	427	163	373	157	166	156
September	357	373	262	149	378	464	426	160	372	156	167	157
October	356	372	260	149	375	461	429	162	375	155	166	156
November	365	383	265	148	378	457	431	165	391	156	168	157
December	365	383	257	145	375	443	—	165	390	154	166	157*
1958 January	362	381	—	144	368	434	—	—	387	—	—	158*
February	—	—	—	143	—	427	—	—	387	—	—	—

†Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	7-3-1958			28-2-1958			21-2-1958			14-2-1958		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola)	113.19	111.69	112.43	112.59	111.12	111.91	114.03	111.62	112.83	113.19	111.69	112.56
Silver (per 100 fine tolas)	193.50	191.37	192.41	192.81	190.87	191.65	193.12	190.69	192.21	195.25	190.94	193.33

* Provisional.

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5+6) as percentage of (4)	Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Govt. Securities in India
	Demand	Time	Total (2+3)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1938-39*	—	123.81	103.30	227.11	6.38	15.88	111.34	460	51.05	—
1948-49	..	674.56	303.88	978.44	37.51	76.63	424.85	16.44	45.10	—
1949-50	..	597.79	272.59	870.38	34.47	65.85	426.74	15.35	50.79	—
1950-51	..	599.13	278.45	877.59	34.68	60.78	447.03	11.87	52.29	—
1951-52	..	593.73	290.82	884.55	37.33	57.29	523.59	22.81	63.06	303.48
1952-53	..	546.23	309.26	855.49	33.33	51.82	461.64	38.47	60.48	306.34
1953-54	..	526.75	328.26	855.00	31.97	44.48	442.79	51.40	59.56	321.29
1954-55	..	559.62	351.86	911.55	32.66	53.91	468.39	81.66	60.68	339.71
1955-56	..	608.64	407.95	1,016.59	34.64	52.52	514.37	118.08	63.02	370.74
1956-57	..	653.34	453.92	1,107.26	36.94	50.23	626.08	155.56	71.39	359.35
Average of Fridays										
November 1957	..	738.45	658.87	1,395.81	38.92	102.38	685.52	161.98†	60.72	407.15
December	..	716.73	683.20	1,399.93	38.83	72.31	698.35	149.07†	60.53	431.33
January 1958	..	718.43	694.22	1,412.65	38.58	66.46	736.87	155.37†	63.16	443.62
February	..	721.05	722.68	1,443.74	38.28	70.05	773.17	155.96†	64.08	432.90
Week Ending										
31-1-1958	..	737.48	701.21	1,438.69	37.60	73.54	756.30	151.08†	63.07	432.55
7-2-1958	..	708.52	719.81	1,428.33	38.20	71.12	766.34	152.31†	64.27	431.95
14-2-1958	..	717.25	721.37	1,438.62	38.93	66.66	773.12	150.10†	64.17	432.81
21-2-1958	..	729.62	724.97	1,454.59	37.49	69.28	774.35	152.72†	63.74	433.37
28-2-1958	..	727.79	724.62	1,452.41	38.48	73.13	778.85	152.70†	64.14	433.45
7-3-1958	..	727.97	726.48	1,454.45	40.38	77.63	783.05	153.39†	64.38	433.29

* Undivided India.

† Including foreign bills purchased and discounted.

MONEY SUPPLY IN INDIA

(Lakhs of rupees.)

Last Friday	Money supply with the public	Total currency with the public	Deposit money with the public			Total variations in money supply
			Total	Demand liabilities of banks	Other deposits with Reserve Bank†	
(1)	(2)=(3)+(4)	(3)	(4)	(5)	(6)	(7)
1952-53	..	1,764.71	1,199.25	565.46	548.95	16.51
1953-54	..	1,793.97	1,229.43	564.54	549.83	14.71
1954-55	..	1,920.63	1,311.77	608.86	599.16	9.71
1955-56	..	2,184.32	1,505.09	679.23	667.22	12.01
1956-57	..	2,312.89	1,556.50	756.30	744.74	11.65
February 1957	..	2,264.55	1,528.31	736.24	744.74	11.78
March	..	2,312.89	1,556.50	766.30	763.43	11.65
April	..	2,362.37	1,586.44	775.93	762.01	12.51
May	..	2,381.99	1,596.43	785.55	772.79	23.55
June	..	2,344.04	1,562.85	781.10	758.55	22.64
July	..	2,307.41	1,522.11	785.30	763.41	21.89
August	..	2,237.92	1,490.78	747.14	735.72	11.42
September	..	2,233.79	1,491.00	742.79	729.99	12.81
October	..	2,280.84	1,497.11	783.73	769.17	14.56
November	..	2,242.78	1,499.11	743.66	730.54	13.12
December	..	2,275.62*	1,526.85*	748.78*	732.27*	16.51
January 1958	..	2,230.85*	1,555.62*	765.23*	749.22*	16.01

* Provisional.

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

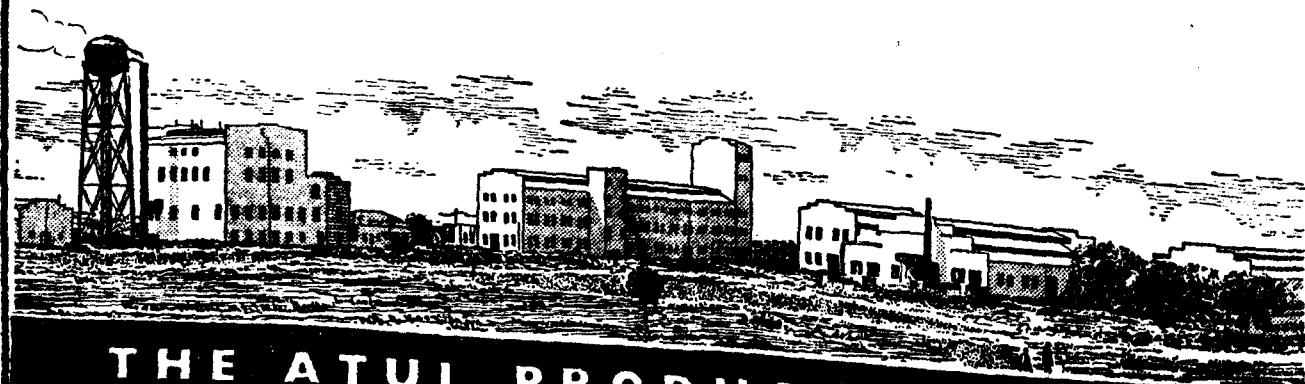
Source: Monthly Bulletin of Reserve Bank.

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Printed and Published by Devi Prasad Sharma at the Hindustan Times Press,
for "The Eastern Economist" Ltd., 52, Jan Path, New Delhi. Editor:—E. P. W da Costa, M. A. (Oxon.)

With a Supplement
on
THE FOREIGN EXCHANGE SITUATION

The

Eastern Economist

VOL. XXX. NO. 14.

NEW DELHI: APRIL 4, 1958.

PRICE RS. 1.50.

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Jawaharlal Nehru

THIS week all eyes have rested anxiously on the Prime Minister. In part this has been the result of another leakage in a fortnightly letter which the Prime Minister writes to the Chief Ministers of the States. There has, however, been no denial of the content of the leakage; it is apparently true that the Prime Minister has confessed that he is oppressed by a sense of mental and physical tiredness and wonders whether in this state of mind he is doing full justice to the high office that he holds. It will be remembered that in 1954 when he confessed to a similar feeling some action followed. He then gave over the Presidency of the Congress and the Ministry of

Defence. At the present time, it can be safely indicated that some relief to the Prime Minister will follow.

It is physically impossible for any man to bear over a period of eleven years the tremendous responsibilities which Jawaharlal Nehru has borne. It is a matter of constant surprise to foreigners and Indian nationals alike that he continues to wear an air of freshness after a working day, which would crush any other man of his age or even one much younger. This apparent capacity for unlimited work has blinded a large number of people to the slow, but inevitable, deterioration

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which ensues in the quality of work when the burden is continuous and the onus of responsibility inescapable. It is time to recognise that the greatest political asset which this country possesses is the Prime Minister's leadership. The protection of the Prime Minister's health is, therefore, the nation's responsibility. If, as is clear from the depths of popular feeling, his replacement is terrifying, it is the more necessary that relief for the short period should be enforced.

The fact that the leading daily newspapers in Delhi this week — ordinarily regarded as reflecting Congress and a substantial amount of non-Congress opinion — have suggested that the Prime Minister should consider this issue, may be regarded as indicating some popular concern. The fact that the Congress High Command has to work out over this week-end a new policy for Congress State organisations indicates that this is a week for decision for the Congress party as well. So far as *The Eastern Economist* is concerned, it has never claimed to reflect public opinion on major issues of policy and today it can lay no claim to the view that even a temporary departure of Jawaharlal Nehru will receive the support of the country. It argues, nevertheless, the need for a spell of leave to the Prime Minister which is written in the events of the last three months. The Prime Minister's performance in Parliament and his judgment on the events of the Chagla Commission and the T.T.K. episode showed that he has temporarily lost his fine political touch; either staleness or isolation has hindered

The New Soviet Supremo

WHAT had been expected, prophesied, and sometimes feared, in the free world has happened. The Kremlin has thrown off its thin mask of collective leadership. Mr. Nikita Khrushchev has taken over the Soviet Premiership in place of Marshal Nikolai Bulganin—while retaining the still more important post of the First Secretary of the Communist Party of Russia. Except for a brief interlude—Mr. Georgi Malenkov's regime—Mr. Khrushchev is the first man to occupy both positions since the death of Stalin. Mr. Khrushchev is now in theory what he has been in practice for many years; the most powerful man in the Soviet Union. He has no rivals to contend with. His authority is unchallenged. He is in a position to bestride the Soviet world like a colossus.

The replacement of Marshal Bulganin is the sixth major shake-up in the Soviet hierarchy since Stalin died five years ago. These five years have brought purges, demotions, even executions, of former top leaders. Throughout this period, only one leader has stayed in the same post—Mr. Khrushchev. He, long a powerful figure in Ukraine, came to power in the Soviet "collective leadership", when soon after Stalin's death in 1953 he edged out Mr. Malenkov from the position of the First Secretary of the Soviet Communist Party. Since then it has been a steady climb by him. He sided with Mr. Georgi Malenkov, Mr. V. M. Molotov, Marshal Zhukov and Mr. Lazar Kaganovitch to oust and liquidate Mr. Beria, and disbanded his generally hated and notorious secret organisation. In 1955, he appointed Marshal Bulganin in place of Mr. Georgi Malenkov as the Soviet Prime Minister. He attacked the "cult of the individual"—concretely the deification

his understanding of things as they were or are. How else can one explain his reversal of his budget proposals within fifteen days on the cotton textile excises or the compulsory deposit scheme? It is no secret, too, that but for Maulana's Azad's steadfast advice on the Chagla Commission's Report the Government of India's handling of its challenge might have even been less free from criticism than it has been. Many Members of Parliament feel that the Prime Minister should proceed on a spell of leave and return restored in health and freshness of mind to lead this nation over the great challenge of the second Five-Year Plan.

If the period of such absence should be two months — and the months of May and June do not in Delhi imply a particularly heavy burden of work — the Cabinet can be counted upon to take to him except conceivably on matters of very high international importance. With the unhappy departure of Maulana Azad, there is also no difference as to who should officiate as Prime Minister during this period. Pandit Govind Ballabh Pant carries both the national prestige and the proved administrative capacity to act as Prime Minister of India in this interval. The country has worked himself beyond human endurance, to consider his health as a national consideration. While *The Eastern Economist* does not believe it ordinarily speaks for the great majority of the Indian people, it is certain that on this issue it will carry overwhelming public support.

of the late Stalin—in a sensational speech to the 20th Congress of the Communist Party of the Soviet Union on February 14, 1958. He also publicly rejected the Marxist dogma that war was inevitable between capitalism and Communism and propounded what has come to be known as the principle of co-existence. It is again Mr. Khrushchev who advocated the reorganization of the United States in the per capita production of a certain number of goods. Only in July last year, he manoeuvred, with the help of Marshal Zhukov and the army, to oust Mr. Molotov, Mr. Malenkov and Mr. Kaganovitch from Soviet hierarchy as an "anti-party group". Soon after, Mr. Khrushchev adroitly contrived to remove Marshal Zhukov from the office of Defence Minister and revived the institution of political commissars, thus removing the major hurdle in his path to the summit. Now, he has struck at Marshal Bulganin. Stalin had demonstrated that he who controlled the monolithic party as secretary was also the master in the Kremlin; Mr. Khrushchev has just repeated the trick. In practice, Mr. Khrushchev has, in fact, beaten Stalin in his own game. Mr. Khrushchev has outmanoeuvred all those who could have stood in the way of his ambition in five years; Stalin took nearly 15 years to do it.

This has naturally touched off a spate of speculation in the world as to its possible consequences for Russia and for the rest of the world. It naturally brings to one's mind the ugly memories of Stalin's ruthless climb to the summit paved with bloodshed, terror and oppression and his fanatically obdurate attitude towards the free world. It is, therefore, natural for the peoples

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of the free world to see in Mr. Khrushchev's rise to the summit Russia's relapse, once again, into Stalinism. It would seem paradoxical that the so-called campaign for de-Stalinization should lead to the revival of Stalinism. But to those acquainted with the Marxist semantics, it is one more proof that diffusion of power is alien to the Soviet system.

It would be, at the same time, unwise and imprudent to conclude that Mr. Khrushchev would be able to practise undiluted Stalinism. No doubt, he may have to remove those whom he suspects to be his opponents among his colleagues—some of them physically also—but the changed situation both inside the Communist world and its relations vis-a-vis the free world do not warrant that rash conclusion. He has to deal with forces less amenable to his control, less subservient to his will. The new Soviet Supremo cannot play either on the fears or hopes of the Russian people as could Stalin. Russia is really no more threatened with capitalist encirclement and in place of the memory of intervention, many in Russia today still remember gratefully the quantum of aid and assistance received from the West

during the last war. Also, according to Mr. Khrushchev's own reasoning, a Socialist world has emerged which can successfully compete with and challenge the non-Communist world. He cannot, therefore, find scapegoats in the *kulaks* or the capitalists for the Russian people's hardships. That the atomic stalemate is a powerful assurance of peace, even if an uneasy one, is not unknown to the Russian people. Again, the entire population of working age in Russia was born and bred after the "Great October Revolution" and is thus comparatively free from the neurosis of its parents and grand parents. In addition, the intransigence of Poland, the revolt in Hungary, "different roads to Socialism" inside the Communist empire and the chain-reaction caused by the policy of de-Stalinization will force major and decisive variations on the Stalinist theme. If, on the other hand, Mr. Khrushchev refuses to bend under these internal pressures, or "inner contradictions" as Marxists are fond of describing them, he must break. The human urge for liberty cannot for long be stemmed by force, or by the subtleties of Big Brother, even if Big Brother now really has a smiling face.

Continued Austerity

THE import control policy, just announced, for the licensing period April-September 1958 is at once a shade more liberal and distinctly more austere than what was in operation in the previous half-year. What little liberalisation there is comes by way of enhanced quotas for established importers mainly in respect of industrial raw materials. These revised quotas appear to have been determined in the light of shortages which have slowed down industrial production of late. Of these goods some have received more liberal percentage increases than some others, the revised quotas being higher than the previous ones in most cases by anything from a fifth to double. Textile chemicals and accessories, spare parts for machinery, industrial chemicals, gums and resins and certain abrasives are among such goods. The allocation of a new foreign exchange ceiling for industrial raw materials — a ceiling which is just Rs. 10 crores more than before—"will not be sufficient", as the Commerce Ministry itself admits, "to maintain peak production in all industries". The hope is however given that licences would be granted "for larger values on a selective basis in the case of certain essential industries".

It looks as though the increase in foreign exchange allocation for some industrial raw materials will be met by a corresponding saving on account of some other industrial raw materials for which the previous import quotas for established importers are now either banned or reduced by a fifth to half. Some of these are coal tar dyes, some motor vehicle parts, steel files, etc., and the shortages in them, it is expected, will be made good by indigenous industry. Some other items in this category may not be replaced by domestic sources and hence actual users' licences would be granted for their import. In so far as domestic sources are likely to come into the picture in some cases, the banning of or reduction in quotas may be welcomed. The decision to issue a few additional licences for non-

ferrous metals over and above the licences already issued for the current period, to allocate a small quantity of foreign exchange for the purpose and to grant advance actual user licences for the period October 1958 to March 1959 may also be equally welcomed.

If the expected increase in foreign exchange expenditure on imports of some industrial raw materials will be more apparent than real, there will be, on the other hand, some real saving on account of imports of consumer goods like fish, fruits, milk food, some drugs and chemicals, etc., for which quotas have been pretty drastically reduced. It may be that the allocation of quotas for printing machinery and agricultural tractors which did not have any quotas in the previous half-year, and the increase in quotas for a few consumer goods like photographic materials and paper items may eat up a part of the saving elsewhere. As for capital goods, the strict policy of issuing import licences for approved cases where the value of such goods is covered by deferred payments will be continued.

The picture emerging may be described as continued import austerity to a greater extent in the case of consumer goods than in the case of producer goods. The Government's anxiety to assist industrial production by allocating a little more foreign exchange for industrial raw materials, however, merits no particular praise because it is not inconceivable that the import policy for the current half-year may not actually cause a net drain on the country's foreign exchange resources. It is a moot point if the Government have earnestly tried to effect some substantial saving in foreign exchange on account of their own imports of defence stores, armaments, and so on. They can yet do it if only they want, and make that saving available for more imports of industrial raw materials at least to maintain the present levels of industrial production, if not to increase them.

Turning-Point in Transport?

THE speeches of Mr. Lal Bahadur Shastri and Mr. Raj Bahadur, in the course of the Lok Sabha debate on the Transport and Communications Ministry's demands for grants, contained important references to two fundamental problems of road transport—inter-State traffic and taxation of motor vehicles. If they have created an impression, as they appear to have done, that they amount to new pronouncements of policy coupled with a programme of vigorous action, that impression is certainly wrong. It is no doubt true that both of them disclosed in their speeches how the Ministry had begun to think aloud on the overall issue of road transport development. The moratorium on the nationalisation of goods transport services until the end of the third Five-Year Plan which has been already announced should stimulate larger investment so sorely needed by the rapid expansion of freight traffic. It is obvious, however, that the moratorium in itself cannot go far enough. But on the two outstanding questions there is little evidence that the Ministry has come to grips with hard facts, particularly in the matter of taxation. Until they are tackled boldly, it is futile to expect that motor transport can make headway.

Severe restrictions on inter-State transport and heavy taxation of motor vehicles have hampered the development of road transport in recent years. This problem has been discussed threadbare and the solutions are now clear enough. Particularly on the issue of taxation, the elaborate report of the Motor Vehicle Taxation Enquiry Committee's report tendered about six years back has made valuable suggestions for a rationalised structure of taxation. The amendment of the Motor Vehicles Act in 1956 has indicated the directions in which the intra-State and inter-State restrictions could be removed and operating conditions liberalised for motor transport services. The entire position was reviewed once again by the last annual conference of State Transport Commissioners and Controllers convened at Mussoorie in October, 1957. It unanimously urged that greater freedom should be conferred upon goods vehicles, a ceiling should be fixed on motor vehicle taxation at 75 per cent of the existing rates prevailing at the highest level in Madras, indirect taxes should be progressively eliminated, different taxes on motor vehicles levied by State Governments should be consolidated into a single tax and should be collected by a single agency, double taxation should be abolished and that the State Governments should liberalise the policy of licensing. The significance of these recommendations is greatly heightened by the fact that representatives of organisations of road transport operators who attended the conference have endorsed them without reservation. None of the two Ministers gave any clarification whatsoever in what manner these urgent recommendations were being followed up.

In fairness it must be conceded that the picture does not disclose total inaction. Some progress has undoubtedly been made. The Inter-State Transport Commission was set up on March 18 this year. This high-powered body is invested with over-riding powers by Section 63-A of the amended Motor Vehicles Act in the matter of grant, revocation, or suspension of permits and counter-signature of permits on routes in the inter-State regions. It is, nevertheless, sig-

nificant to recall here that the establishment of the Commission took more than one full year after the amended Act was brought into force in February 1957. Mr. Shastri has admitted the validity of the criticism of the delay that has occurred.

The Commission, however, must be regarded to have taken only an initial form. Its membership consists of the statutory minimum of three and its composition is purely official. This is not to cast any reflection on the competence of its able Chairman, Dr. Nagendra Singh, Joint Secretary, Ministry of Transport and Communications, and the two high officials of the Ministry appointed as members. But it is of the utmost importance that representatives of the industry who are qualified to give the benefit of their expert and intimate knowledge must be appointed on the Commission if it is to function effectively. A non-official is now to be appointed to the Commission. Mr. Shastri has revealed that the magnitude of the functions of the Commission will require a full-time Chairman. These changes need to be introduced without avoidable delay since considerable work will have to be done by the Commission immediately it gets off to a real start. The rule-making powers conferred on the Central Government by Section 63-C should be liberally used to enlarge the Commission's jurisdiction.

Mr. Raj Bahadur was frank enough to acknowledge that the taxation of motor vehicles in India was among the highest in the world. He has advocated a single uniform tax at a reduced level to be collected by the Centre, but qualified his statement by the reservation that that was his personal view. What the House and the public expected to know was the final decision of the Government in this matter. In the absence of any specific information, it is reasonable to presume that the matter stands where it rested. It is paradoxical that while there is complete unanimity about the urgency to reduce the tax burden, rationalise its structure and simplify the collection machinery, no action should have been taken all these years to provide the urgent relief. Recent evidence clearly shows that action runs counter to profession. The Central Budget of May 1957 enhanced the excise duties on motor spirit and refined diesel oil by substantial margins. This year the Bombay Government raised taxation on motor vehicles.

It is usual to lay the blame at the door of the State Governments for failure of tax reform to make any progress. This is certainly an unkind cut. Unless these governments are given guarantees against loss of revenue, it is unfair to expect them to surrender their present right to tax. The merger of the State sales tax on cloth, sugar and tobacco in the Central excise duty argues powerfully for an identical solution for motor taxation. It is high time an agreed solution was found so that it could be put into execution at least in the fourth year of the Plan. Mr. S. K. Patil who has assumed charge of the Transport and Communications portfolio has intimate knowledge of road transport problems and further administrative drive. It is to be trusted that the chapter of procrastination in transport policy will be terminated now at least. The signs are certainly good.

THE WEEK'S NOTES

MARSHALL PLAN FOR INDIA

THE LATEST bi-partisan resolution sponsored by Mr. John Kennedy and Mr. Sherman Cooper in the United States' Senate urging long-term economic aid to India is a welcome move. Recommending, what he described as a Marshall Plan for India, Mr. Kennedy correctly observed that the situation in India, like that of post-war Europe, has reached a crucial and precarious point of success or failure. It would be "catastrophic" for the free world, he added, if India were beaten in the bloodless battle with China; thereafter the newly-liberated countries would give up their heroic struggle for democracy. By aiding India and other under-developed countries, the United States and the advanced countries of the West will be, thus, only under-writing freedom and democracy in these countries. The West need not be apprehensive of the talk of neutrality by India and other newly-liberated countries. The United States, too, had adopted a policy of non-involvement in the international controversies in its formative period during the 19th century. It would, therefore, be wrong for the West, as Mr. Kennedy rightly pointed out, "to equate friendship with military alliances or voting the West ticket". To do so would only drive those countries closer to totalitarianism, thereby increasing the chances for the Russians to repeat in other parts of Asia and Africa their "take-over of China".

It would be wrong to consider this bi-partisan aid proposal as an isolated move. Only recently, another Senator, Mr. Hubert Humphrey spoke in favour of a 900 million dollar "Marshall Aid Programme" for India. Mr. Dulles, too, has asserted that aid to the uncommitted Afro-Asian countries would "buttress democratic freedom in Asia". Similarly, Mr. Cabot Lodge, who recently visited India, has put such aid on par with the money America is spending on its missile programme. The United States has, of course, already promised a loan of 225 million dollars to India on a long-term basis. Though this timely assistance will enable India to tide over her immediate foreign exchange difficulties, it falls short of her actual requirements. As things stand today, the foreign exchange "gap" in respect of the "core" of the Plan and maintenance requirements of the economy may be of the order of Rs. 400 to Rs. 500 crores. This "gap" will have to be bridged forthwith if India's second Five-Year Plan is not to be slashed and staggered unduly. The timeliness of the assistance is, therefore, as important as the quantum of assistance that India seeks from friendly sources. Some major hurdles will have to be crossed before a Marshall Plan for India becomes a reality. While the United States, Congress, of late, has grown increasingly hesitant about making long-term advance commitments on foreign aid, the Americans have not yet developed a sense of crisis about the aid to India. The danger of imminent recession in the United States may make them realize the need for such a plan, if only in enlightened self-interest. With the help of such a plan they may well stem the tide of impending recession in their own country. Had not the Marshall Plan for Europe helped America to tide over a similar crisis in the post-war period?

DANGEROUS PORTENTS

THE REPORTED threat of the Government of Orissa to resign is the latest evidence of lack of unity in the ruling Congress Party. The main reason for the State Government's step is said to be the "defection" in the party ranks which resulted in the defeat of one of the two party candidates in the Rajya Sabha elections. While six party members, including a Minister, absented themselves at the time of voting, only 58 of the remaining 63 Congress legislators cast their first pre-

ference vote in favour of the party candidates. This is obvious because only 58 first preference votes were received by the two party nominees. Five Congressmen, thus, definitely voted for one of the two successful opposition candidates. This amounts to a withdrawal of support for not only the leadership but for the party itself. While internal bickerings have existed for long and created chronic uncertainty for those at the helm, it is amazing that these should have been allowed to go to the point of depriving the party of its advantage in the recent elections to the Rajya Sabha. The normal disciplinary remedies are not likely to be of any avail as those who "defected" remain anonymous. In the circumstances, the Congress assembly party in Orissa decided that the State Ministry should resign, since its future now seems even more precarious than it was in the past.

The Orissa Congress Party's loss in the Rajya Sabha elections is of course significant. But the significance has been deliberately exaggerated. The threatened resignation of the Ministry may very well be a tactical move; apparently its main purpose is to bring pressure to bear upon the recalcitrant members to eschew their attitude of defiance and submit without reserve to the crack of the party whip. The threat may succeed in achieving the end, considering the current political set up in the State. If Mr. Hare Krushna Mehtab tenders the resignation of his Ministry, there is no escape from the President's rule till another election is held. That is not a pleasing prospect—either for the political parties or for the individual members.

What has happened in Orissa was not unexpected. The development is local manifestation of a disease that has afflicted the Congress organisation as a whole. The state of affairs in the Congress Party in Mysore, Rajasthan, Punjab, Bihar and West Bengal shows how widely the rot has spread. Group rivalries and allegiance to personalities rather than the party, mainly motivated by self and group interests, are at the root of such internecine bickerings. These tendencies have been perpetuated by the continuance of practically the same leadership in the legislatures and the Congress organisation for as long as one can remember. This has also led, among other things, to the alienation of the youth from the Congress, which is more serious than the present leadership seems to think.

GATEWAY OF LEARNING

INAUGURATING a three-day conference on the "problems of teaching English last week in Delhi, Mr. C. D. Deshmukh made an almost unassailable case for retaining English. He described English as "the main gateway of learning" and contended that development of the mind would be impossible without extensive and reinforced resort to English which opened "the doors to us at least two-thirds of the current scientific and technological literature and 'belles-letters'". He observed, and rightly, that the cry against English, "thoughtlessly" started in the wake of independence, has made students psychologically averse to its study in adequate measure. The absence of a clear picture as regards its future in the academic sphere has served only to increase that apathy, resulting in a sharp deterioration in academic standards. The situation will worsen further when English would cease to be the medium of instruction. This, Mr. Deshmukh thought, strengthened the case for ensuring that an adequate knowledge of English is imparted to the students before they go up to the university.

It will be recalled that, some time back, the Kunzru Committee had also recommended retention of English

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as the medium of instruction in higher studies. Only a few days before his death Maulana Azad had also stated emphatically that English should continue to be taught and its standard improved both in secondary schools and universities if the country was to maintain its academic progress and international contact in the intellectual field. The Government of India's decision to establish an English Language Training Institute is a clear proof of its awareness of the problem of deteriorating standards of English; it is also an implicit recognition of the importance of retaining English. But the work at the Institute will not lead to the results hoped for, unless students throughout the country are made to study English as a compulsory second language, for, say, seven or eight years at least, before entering college. But this is a view which does not seem to find favour in certain influential quarters. The All-India Council for Elementary Education, for instance, has categorically given its verdict against English being taught at the primary stage. Certain specialists in the field of education are also not in favour of retaining English in its present position in the secondary stage. They demand that its importance in the high school curricula be reduced. And they seem little concerned as to how the students thus educated will fare at the university. Considered rationally, it is clear that pending Hindi's coming of age continued use of English as a compulsory subject at the primary and secondary stages and as medium of instruction and examination at the university level is the best way out of the present tangled situation.

DAWN OF A NEW ERA

THE PEOPLE of sandy Rajasthan were assured a new era of plenty and prosperity when the Union Home Minister, Pandit G. B. Pant, turned the first sod of earth to commence excavation work on the Rajasthan canal. The canal will, moreover, help arrest the advance of the Rajasthan desert. Taking off from the Harike barrage across the Sutlej river, the canal will be the longest in Asia—426 miles—and a veritable river with a head discharge of 18,500 cusecs. The project will involve some 6,700 million cft. of earth-work and 180 million sq. feet of lining for the main canal alone. The cost is estimated at Rs. 66.5 crores excluding the expenditure on storage dams. The project, when completed, is expected to irrigate 36 lakhs of barren land and yield one million tons of crops annually valued at Rs. 30 crores. The project will take ten years to complete. This seems to suggest that the imagination of those who have conceived of the project has not risen equal to the needs of the people and the benefits it is to produce. The construction time could assuredly be shortened, but not through appeals for voluntary labour on which the Union Home Minister seems to pin his hope. It is, however, good to note that the project has been so phased that 75 to 100 miles of the canal which will be completed each year will be pressed into service immediately to irrigate areas covered. Already much of the area to be irrigated has been surveyed and the demarcation of land allotments taken in hand. Work has also started on road making and provision of other facilities in an effort to ensure that reclamation of land from the desert and its distribution to the people go hand in hand.

The project is a noteworthy effort in inter-State co-operation. The canal, which will bring, in the first instance, the waters of the Sutlej and later of the Beas will run for 110 miles in the Punjab before it enters Rajasthan. The willingness of the Punjab Government to let the surplus waters flowing in that State to be diverted to a sister State is commendable. It can surely be followed, with profit, by other States whose rivers run to waste into the sea at present while neighbouring States suffer for lack of such resources.

THE DRAMA AT DACCA

DISMISSALS OF Governors, Chief Ministers, etcetera, in Pakistan are neither surprising nor infrequent. But the latest in this series, in East Pakistan, have produced a drama never before witnessed even in that country. The irrespressible Mr. Fazlul Huq as Governor of East Pakistan, having failed to receive on demand the resignation of the Chief Minister, Mr. A. H. H. Khan, dismissed him. However, before the ink had dried on the order, he was himself sacked from Karachi equally unceremoniously. But in the brief interlude, Mr. Huq had already sworn in Mr. A. H. Sarkar as the Chief Minister. Mr. Sarkar was in office for as long as some half a day when he was removed and Mr. A. H. H. Khan was reinstated by the new acting Governor. All this happened in such quick succession and in so short a period that people in East Bengal were waiting with thumping hearts for more quizzical events to turn up.

Now that the storm (in the tea cup) is settling, certain of the urges of East Pakistan can be seen in concrete shape. Mr. A. H. H. Khan has now obtained a fairly safe vote of confidence from the provincial Assembly. This is significant because only a few days earlier he could command no more than a precarious 15-vote majority on the important issue of the circulation of the Finance Bill. Indeed, the entire drama had started with it. The significance of the latest vote of confidence lies in the determination of East Pakistanis to avoid at all costs any chance of direct rule by the Central Government at Karachi. The 1954 elections in East Pakistan, in which the Muslim League was pushed into political backwaters by a motley coalition of various parties, have left one permanent legacy; East Bengal is in no mood to be dominated by the Western wing, separated from it by as much as 1,300 miles.

The present developments seem to have stemmed not so much from political pressures as otherwise. Already, in the Awami League of Mr. A. H. H. Khan fissures have appeared. Whatever, the constitutional and legal propriety of Mr. Huq's action, in which he has himself had to succumb, seemingly not to rise again, it is surely a manifestation of the deep desire in East Pakistanis to rule themselves. East Pakistan, placed as it nearer the Far East, has, like its other neighbours, its own problems and grievances. Here economics is more compelling than religion. If the two wings are to keep together, it seems necessary to allow the East Pakistanis full local autonomy. It will be of little avail for West Pakistan, still largely living in the West Asian atmosphere of intrigue and lust for power, to try to rule East Pakistan from afar.

A WELCOME TRADE AGREEMENT

LETTERS HAVE been exchanged in New Delhi between Mr. D. Sandilya, Managing Director, State Trading Corporation of India, and Mr. V. Novacek, representing the Czechoslovak Foreign Trade Corporations, with the object of promoting import and export trade between India and Czechoslovakia. Under the agreement, payments for imports from Czechoslovakia will be made in Indian rupees and the money credited to a special account to be opened by the State Bank of Czechoslovakia with the State Bank of India or any other commercial bank in India. The money in the special account will be utilized by the Czechoslovak Foreign Trade Corporations for the purchase of specific Indian goods mutually agreed upon. The value of the two-way trade to be covered by this agreement is, however, not so far known. But the agreement is certainly welcome as a gesture of Czechoslovakia's goodwill to India in view of the relief which it gives to the pressure on our foreign exchange. The understanding to balance the two-way trade obviates the possibility of any deficit account to be settled.

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A Window on the World

I VISIT JUTE IN DUNDEE

By
ODYSSEUS

FOR THE COMMENTATOR of an Indian economic weekly to undertake a tour of investigation into Scottish industry and to fail to bring back any report on jute in Dundee would be like reporting on Calcutta without mentioning jute goods.

The Dundee jute industry shares, in common with the European jute industries, the weakness of European textiles as a whole. As is said in the Economist Intelligence Unit's remarkable study of the effects on British industry of a European free trade area — "Britain and Europe" (Price 15 sh. from 22 Ryder Street, London, S.W.1.) — the world demand for jute goods has been declining for 30 years; new methods of handling grain and other products have been evolved, and substitutes, chiefly paper sacks, have cut deep into the market remaining to jute bags.

The Governments of India and Pakistan cannot escape a substantial share of the blame for this state of affairs, which affects all those dependent on jute growing and manufacturing in India, Pakistan, and Europe. We are all paying for the shortsightedness of the attempts by both governments to cash in on the spurt in world demand caused by the Korean war by imposing huge export duties. The two governments behaved, in fact, in the classic way in which bloated capitalists are supposed to behave and Socialist states are supposed to be too enlightened to imitate. Seeing the pressure of world demand, they put on the screws and went in for "profiteering" in a big way. The difference between capitalists and the bureaucrats who run government departments is that business men have the practical experience to know that what counts in commercial relations is building up of confidence between buyers and sellers in any industry. In all old-established free-enterprise industrial centres you will find firms who have retained their customers for decades, generations, and, in some cases, centuries. You don't do this by taking the first opportunity to fleece your customer when he is in difficulties.

These elementary ideas were passed on to the Chief Controller of Imports and Exports in India when he visited Dundee in 1953, and he evidently grasped the point because on his return to New Delhi the duty was halved to Rs. 650. By then, however, there was no support for the market and the duty was progressively reduced further. And Pakistan, just as profiteer-minded, also had to reduce her duty. But once you have behaved like this to your customers, they strive all they can to do without you in future. Nor, as everyone connected with jute in India and Pakistan knows, were these Korean incidents unique; they were but part of a history of misguided attempts to exploit customers. The result was to persuade buyers to live from hand to mouth while studying substitutes, some of which I listed above. And don't make any mistake. There is always a substitute for any commodity which a monopolist tries to sell at an exorbitant price. History is littered with broken monopolies from sailing vessels to steam ships, from light metals to plastics, from real to cultured pearls, from wool to terylene, from jute bags to mass delivery containers.

But to return to Dundee. Like all the European jute industries, Dundee has to compete in a contracting

market, as also, though as yet only to a limited extent, with Pakistan's growing manufacturing industry.

£10,000,000 SPENT IN MODERNISATION

What is so exciting is the resolute and whole-hearted manner in which Dundee has met this challenge. "Since 1949, the industry has spent £10 million in installing faster and newer machinery," Mr. W. G. N. Walker (Chairman of Jutes Industries Ltd., and no relation, by the way, to Mr. J. Walker, sometime of MeLeod's in Calcutta) told me. "Improved processing techniques and modern methods of management have revolutionised our industry". The elimination of all old spinning machinery had led to a steep rise in productivity. Machinery for the preparing and handling processes at various stages have been improved. In weaving, the circular loom has been introduced and the conversion of flat looms to automatic shuffle-loading which enables a weaver to control up to ten looms instead of two.

I blasted the shipyard workers last week for sending the costs of British shipbuilding up (and thus allowing the Germans and Japanese to get a big bite of the world market which they would not otherwise have had) by their restrictive practices. The wage structure in the U.K. shipping industry is now hopelessly out of date. In Clydeside yards, a foreman will take home £16 a week, while a welder may be taking home £25 a week on semi-skilled rates.

I seem to have provoked some cynical smiles, however, when I added last week that I had sufficient confidence in the ability of human beings to learn by experience to believe that, as the inflationary fat is stripped from the U.K.'s economy, shipping employers and workers will get together to agree on the abolition of restrictive practices and to work out a new wage structure for the industry, based on the techniques of 1958 rather than on those of 1908. But the magnificent post-war co-operation between the jute employers and workers in Dundee to modernise their industry supports my confidence. First of all, the wage structure was reviewed and in 1952 agreement on new wages based on job evaluation was reached between employers and unions. The first result of this was to make labour re-deployment inside the industry productivity flexible. Work study and incentives are promoted by the Association of Jute Spinners, who have set up a "productivity ladder" scheme, the first of its kind in the U.K., to act as a competitive stimulus between firms. This enables each firm to make monthly comparisons of its rate of productivity for the various stages of processing with that of other firms. Another stimulus to higher efficiency is a scheme which enables each firm to compare costings on a like basis.

WORKERS AND EMPLOYERS SET EXAMPLE

With what pleasure does one report that full co-operation has been given by the unions in (a) the many new technical changes and (b) the new techniques of management that have been introduced.

In 1948, only a few of the largest Dundee firms undertook research. Today, 97 per cent of the producing firms, all the textile machinery makers, and many

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merchants, finishers, and brokers, support the British Jute Research Association, which besides going in for fundamental research, also investigates methods of raising quality, improving the properties of jute products, new finishes for jute, including fire-proofing, rot-proofing, filming, fume-proofing, and anti-corrosive wrappings. The Association has aroused interest in scientific research throughout the industry.

These are but a few of the means by which Dundee is demonstrating that given (1) a challenge to survival and (2) the prospect of making profits, free enterprise can rise triumphantly to the occasion. Contrast this with an old-established nationalised industry threatened with pricing out of its markets by new techniques or substitutes: all that it usually does is to ask for a bigger subsidy from the ministry of Finance. The argument advanced is that the nationalised industry cannot compete with cheap foreign labour, and that its disappearance would throw thousands of deserving workers on the streets. The implication is that, through the medium of the taxpayers, other more efficient industries must combine to support the inefficient to all eternity on the ground that the community and/or the state owes every worker a living. But as Mr. N. T. Carne, the British director of the American Cash Register Factory (also situated at Dundee), told me: "The fundamental weakness of the Welfare state is that it spreads the idea that somebody owes us a living. The blunt fact is that nobody owes us living. We owe that to ourselves."

I conclude with another anecdote of the alertness that I found not only in jute but almost everywhere in Scotland. It was told me by Mr. Robert Marshall of the British Jute Trade Federal Council. Tufted carpets now represent a substantial proportion of American carpet production. What few people know is the contribution that Dundee made to launch this new Ameri-

can industry. The tufting process evolved when a handicraft industry was mechanised. The aim was to produce plain carpets at a higher rate than by ordinary loom. One of the problems was to find a backing cloth into which the pile yarns could be needled satisfactorily, cheaply, and durably. The moment that Dundee heard about this, they flew technical experts across the Atlantic and within months their enterprise had acquired a new export industry for Dundee. Already millions of American homes have tufted-carpeted backed by Dundee-made cloth.

Naturally, Dundee's success attracted competition from Europe, but the man who gets away to a good start has the advantage, and Dundee much more than holds its own against the unenterprising, late-starters from Europe.

This was in 1952-53, but that is not the end of the story. In 1955, a group of British manufacturers announced the formation of a company to make tufted carpets. Sales began well in 1956. In these developments, Dundee played a key part. It was able to give the technical knowledge gained in the U.S. to the U.K. manufacturers, and thus cut short the teething problems of a new British industry.

Sitting in one's office in London, reading the latest news about wage claims, strikes threatening, and export markets lost, that fill the headlines, one gets a misleading impression. One forgets that good news is not news. It is not until one takes one's hat down from its peg and sets out to delve into the byways of industry that one discovers how much good news there is in the U.K. India should rejoice. The more flourishing the U.K.'s economy, the stronger the sterling area, the more cheerful the prospects for that Five-Year Plan.

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POLITICS IN ALGERIA

(From Our Special West European Correspondent)

PARIS, March 30.

THE internal political situation in Algeria has been overshadowed in recent months by the international repercussions of the war — the involvement of Tunisia, the Anglo-Saxon mediation, the suggested Mediterranean pact and the forthcoming debate on Algeria in NATO. And, to tell the truth, within Algeria itself the political situation has been overshadowed by the intensified fighting along the Tunisian frontier. Yet this is the period of the application of the famous "loi-cadre", of framework law, which was voted after months of acrimonious debate by the French Parliament and which is reputed to offer Algeria a new and more liberal regime. Under the smoke and dust of war and international intervention, what progress is being made in the application of this new charter, and how liberal does it promise to be from the Algerians' point of view?

Briefly, the answers to those two questions are not much and not very. The purpose of the framework law was double; to win over popular Muslim opinion from the revolutionaries of the FLN by offering it an increased influence in the governance of the country, and to impress foreign (and especially American) opinion by a demonstration of France's liberal intentions. Neither purpose has been achieved. The law is hopelessly complex and popular Muslim opinion does not understand where it leads, whereas everyone readily grasps the FLN's policy, which is summed up in one word, "independence". As for foreign opinion, Mr. Dulles was indeed impressed by the framework law for a time, but since the Sakhiat bombing and the intensification of the fighting, he has admitted that he was being too optimistic. In short, the Algerians are indifferent and foreigners are skeptical. Nevertheless, the implementation of the framework law is producing a new alignment of political forces in Algeria and, although not enough by itself to stop the war or win international support for the French, this could be significant if the current flare-up of terrorism fizzles out during the summer.

Essentially, the law wipes out the old system of local government in Algeria in which the Europeans largely dominated and within the European representation the reactionaries dominated. It divides the country into a large number of regions in each of which a more even balance of French and Arab representation is struck, and provides for the unification of these regions in a federal structure which will be capped by an executive power nominated from Paris. Obviously this is very far short of internal autonomy and even if implemented as liberally as Parliament intended it would still leave the French minority with a political power quite out of proportion to its numbers. But it is a step forward in that it allows much more scope for genuine and effective Arab representation and permits the revival of some sort of political life in a country where politics has been suspended for years by war and terrorism. Above all, even if it generously protects French dominance, it breaks the power of the "ultras", the reactionary section of the French colons who have been responsible for most of Algeria's troubles. These modest advantages are of course nothing alongside the clear and simple FLN demand for unconditional independence, but once it is accepted that the nationalists cannot have their way by main force

it would seem (at least if Indian experience is any guide) that political wisdom is these cases is to grab any and every concession offered by the imperialist power, on the understanding that this is not the last word. But then political wisdom is as scarce among the FLN leaders as among the French ultras.

How useful the new regime in local government will be to Arab aspirations cannot be known until elections are held. Paris has just promised that they will be held this year, but the promise is very vague and in present conditions one cannot see how it could be kept. In the meantime, the representatives in the new communes (Algeria has 1,340 communes) have to be nominated. Already one can see the general outline of the balance of forces: there are 6,652 Muslim delegates against 2,520 European delegates. This ratio of three to one, approximately, is to be compared with the population ratio of eight to one. This is unfair in an abstract sense but it still represents a Muslim predominance, at least in the limited field of local government.

Not all the communes are equally important; it matters little which community dominates in most rural areas, but the balance of political forces is extremely important in the big towns and above all in Algiers. In towns such as Tlemcen and Constantine where the Muslim population is greater, its representation is also greater, though not proportionally so. What is more important, in these towns the European mayor has had to make way for a Muslim. In Constantine, the local body has 31 Muslim members and 25 Europeans and an Arab mayor. Moreover, the former local body in this town was dominated by Right-wingers but in the European representation now the Right is eclipsed by the Socialists and Radicals. This might seem to be a fact of interest only to European electors, but in reality it means that henceforth throughout most of Algeria Muslim politicians will have to work with a very different class of Frenchmen, men who no doubt are equally determined to keep Algeria French but who have a very much more liberal conception of the relations between the two communities. The FLN no doubt would regard this as a point of very little interest, but for those who find the all-or-nothing terrorist mentality sterile and who think in terms of steady political progress it has its significance.

The reactionary section of the colons certainly see it in this light and even in areas such as Oran and Cherchell, where the European population dominates and hence has the greater representation, the ultras are fighting tooth and nail to prevent their replacement by the European socialists who are being nominated by the administration of the socialist governor-general, Robert Lacoste. Their idea is that the old local bodies should be simply reborn under a different label and they are making every effort to sabotage the application of the framework law in this sense. Their resistance is so far the only factor that has aroused the interest of the Arab population, who are beginning to feel that if the ultras find so much to complain about in the new regime there might be something useful in it after all.

In the capital city of Algiers, the European and Arab populations are about equal and in the new governing body there will be 24 European delegates against 20

NORTHERN RAILWAY NOTICE

The important changes in Time Table which will take effect from 1st April, 1958, are notified as under:-

1. **Seasonal trains introduced to cater for School children.**

(a) Amritsar — Patti	-- One train each way.
(b) Batala — Qadian	-- do-
(c) Jullundur City — Nakodar	-- do-
2. **Existing trains extended:-**

(a) Nos. 1 HDK/2 HDK	-- Delhi-Kishanganj-Hazrat Nizamuddin shuttle extended to and from Vinay Nagar.
(b) Nos. 2 JL/1 JL	-- Jullundur City-Ludhiana Passenger extended to and from Jagraon.
3. **Trains diverted:**

Nos. 45 Up/46 Dn will be diverted to run via the Meerut-Saharanpur route.
4. **Existing trains cancelled:**

Running of Nos. 387 Up/388 Dn cancelled between Moghalsarai and Varanasi.
5. **Stoppages of trains at Gunnas (unmanned Halt) between Tapa and Hadiya Stations.**

Nos. 1 UB/2 UB, 3 UB/4 UB, 5 UB/6 UB have been allowed stoppages at Gunnas Halt from April 1, 1958 and these halts are not notified in the Time Table.

II. For cancellation and introductions of through services coaches and timings of trains at intermediate stations etc., reference may be made to April, 1958, Time Table, priced annas four and available on sale at Railway Bookstalls.

CHIEF OPERATING SUPERINTENDENT,
NEW DELHI.

Muslims. The application of the framework law has become a test case in this city not so much because of the arithmetic of representation as because of the quality of the European delegates, and more especially of their mayor. At present the mayor of Algiers is the friend and former minister of Mendes France, Jacques Chevallier, who is, as his connections suggest, one of the most liberal Frenchmen in Algeria. The ultras, whose power is concentrated in Algiers, are seeking above all to get rid of Chevallier and in this they have the support of Lacoste, whose policies have been constantly criticised by the Mendesist mayor. Arab opinion is likely to judge the meaning of the framework law according to whether Chevallier stays or is forced out of Algiers.

However, what concerns the Algerian Muslims more than the proportion of their representation in the new local bodies and more than the quality of the European delegates is, naturally, the political colour of the Muslims who are named to these new functions. If the framework law is honestly applied it should attract, as far as the menace of terrorism allows, Muslim leaders whose opinions have some echo among the population and who can form a sort of third force between the FLN extremists and the French puppets. If the new regime selects only "beni-oui-ouis" or yes-men, as the ultras intend, the framework law will have no meaning, but if a real effort is made to win back to political life the moderate section of bourgeois Arab opinion that has been reduced to silence by the combined force of terrorism and repression it will have succeeded in revivifying Algerian political life.

There is a large body of moderate nationalist opinion among the Algerians (just how large no one knows precisely because it has been gagged by both extremes) that wants to work gradually toward greater freedom but has no active connection with the terrorist rebellion. Many of its representatives have been assassinated by the FLN or interned in concentration camps by the French, or are living in exile in France itself. Both sides are anxious that this class remain gagged; the French Ultras so that they can pretend that the only opposition in Algeria is terrorist, with which by definition one cannot negotiate; the FLN so that it can pretend that it represents all that is nationalist in the country. The only utility of the framework law would

be to restore this class to a position of leadership by offering it a voice, however small at first, in the country's political life. The ultras are opposed to their recruitment on the grounds that they are "semi-rebels"; the FLN is discouraging their co-operation as treason to the nationalist cause, of which they arrogantly claim a monopoly. In so far as the future of Algeria is to be determined in Algeria itself, and not in Washington and Paris as it more probably will be, it is the good faith of the French in using the framework law to liberate moderate nationalist opinion that will decide the issue.

THE RECORDS & STATISTICS (Quarterly)

New Subscription rates in force from 1st May, 1957.

Annual subscription .. Rs. 16

For 'The Eastern Economist' subscribers .. Rs. 14

Single Copy .. Rs. 4

The Subscriptions are to be renewed on Volume basis and not on yearly basis. Each Volume contains four quarterly issues.

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52, Jan Path. New Delhi.

WORLDGRAM

AGRICULTURE

Statistics for Livestock Population and Agricultural Appliances: The number of livestock in India in 1956 is provisionally estimated at 307.1 millions, against 292.2 millions in 1951. This indicates that the population of livestock during the quinquennium ending 1956 increased by 5.1 per cent, or about 1 per cent every year. Cattle form the largest population of livestock — the number being 158.9 millions, followed by goats numbering 56.6 million, buffaloes 44.8 millions, and sheep 38.7 millions. Of the remaining 8.1 million heads, horses and ponies are estimated at 1.5 millions. The total poultry — fowls and ducks — numbers 97.4 millions. The livestock population is highest in Uttar Pradesh, followed by Bombay, Madhya Pradesh and Rajasthan. Similarly, the number of bovine population — cattle and buffaloes — is largest in Uttar Pradesh, followed by Madhya Pradesh, Bombay and Bihar. These facts and figures are given in a publication entitled "Indian Livestock Statistics, 1953-54 to 1955-56", issued recently by the Directorate of Economics and Statistics, Ministry of Food and Agriculture.

Preservation of Mangoes: The estimated area under "alphanso" variety of mangoes in Ratnagiri district of Bombay State was about 8,000 acres. Shri Jain also stated that on the recommendation of the panel set up by the Government of India to consider development of the fruit preservation industry, a scheme for the grant of loan to State Governments for establishment of 200 small and 5 large-scale fruit preservation canning units had been prepared by the Ministry. A provision of Rs. 55 lakhs had been made for this scheme in the second Five-Year Plan.

Grading and Marketing of Butter: Over 15 lakh lbs of creamery butter was graded in 1957, as compared to about 12 lakh lbs. in 1956. Creamery butter is produced in India from mechanically separated cream and in graded in the States of Bombay, Bihar and Uttar Pradesh, which are the main butter producing States. When grading was first applied to this commodity in 1941 under the Agricultural Produce (Grading and Marketing) Act, 1937, the butter industry was in its infancy and suffered from several handicaps. The Agmark scheme gave to it a much needed assurance of quality and purity and helped it grow on the right lines. The Directorate of Marketing and Inspection of the Union Ministry of Food and Agriculture has issued revised instructions concerning grading and marketing for the guidance of packers dealing in this commodity, to ensure that all packages and containers of butter bearing an Agmark label conform strictly to specifications laid down. These instructions, in the form of a printed booklet, can be had from the Agricultural Marketing Adviser to the Government of India, 'P' Block, Raisina Road, New Delhi.

INDUSTRY

Sugar Mills: The number of sugar mills in the country, which started working in the month of November 1957, was 90, stated Shri A. P. Jain, Union Minister for Food and Agriculture, in a written reply to a question by Sardar Iqbal Singh in the Lok Sabha recently. Shri Jain also stated that the production of sugar from sugarcane crushed during this month amounted to 1.05 lakh tons, including production of 15 factories which started crushing during October 1957. Out of 105 factories which were in operation in November 1957, the Minister continued, 92 paid at Rs. 1-7-0 per maund for the cane delivered at the gate of the factory and Rs. 1-5-0 for cane delivered at out-station rail centres. Out

of the remaining 13 factories, which were all in Bombay State, 8 paid at the rate of Rs. 1-11-0 per maund of cane. Three co-operative factories made advance payments to their grower-members, and the exact price to be paid would be decided after the crushing season was over. Two factories did not purchase any cane during the period from outside growers and crushed their own farm cane.

Filip to Industrial Development: Scientific matters concerning the National Laboratories, new projects and proposals for research and matters relating to grants for investigations and research in universities and other institutions were discussed at the meetings of the Board and the Governing Body of the Council of Scientific and Industrial Research held here on March 21 and 22, respectively. Among the major decisions taken was the approval of a project for the manufacture of Rice Bran Oil, developed by the Central Food Technological Research Institute, Mysore. Studies carried out at the Mysore Institute have provided data about the feasibility of its manufacture. It is estimated that a considerable quantity of edible rice oil could be recovered from the bran to the extent of 14 per cent of its weight. This oil is expected to prove a good source for augmenting the existing vegetable oil supplies of the country. A six-man sub-committee, headed by Dr. G. P. Kane, has been constituted to consider the details of the project. For rendering technical assistance to small-scale foundries, it was decided to set up a cell at the National Metallurgical Laboratory, Jamshedpur. Demonstration Units will be established in each centre where foundries are in operation. At present there are nearly 1,500 foundries in India. Most of them do not possess either suitable equipment or technical know-how needed for efficient operation. About 90 per cent of them are cast-iron foundries.

Knitted Goods Containing Wool: A draft Indian standard method for determining shrinkage of knitted goods containing wool has been circulated by the Indian Standards Institution for eliciting comments. This standard lays down the methods of test for determining the relaxation shrinkage on soaking in water, felting shrinkage on washing and felting shrinkage on milling of knitted goods containing wool. The method for determination of shrinkage due to milling has been designed to stimulate the severe mechanical action under moist warm conditions which may cause the felting of wool in hosiery goods during wear. Comments on the draft standard may be sent before May 24, 1958 to the Indian Standards Institution, Manak Bhavan, 9, Mathura Road, New Delhi.

More Training Centres for Small Industries to be Set Up: More training and production centres for small industries will be set up in Bombay, Punjab and Rajasthan, under schemes approved by the Government of India. In Bombay, two centres are to be opened at Nagpur for providing training in tanning and manufacture of leather goods and in wood-work and carpentry, besides continuing the food preservation centre there. Two schemes of the Gandhi Gramodyog Mandir, Amravati, for the manufacture of paper clips and paper pins and for setting up a training-cum-production centre in the model mechanical workshop at Amravati, are to be implemented during the year. For continuing the scheme of development of black-smithy at Nanded a grant has been provided to the State. Over Rs. 4.4 lakhs have been sanctioned to Bombay State for these schemes. In Punjab, three training centres are to be set up at the State Orphanage, Madhuban, Karnal. These are for tailoring, carpentry and leather goods manufacture. Also a foundry-cum-work-



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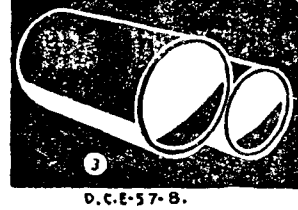
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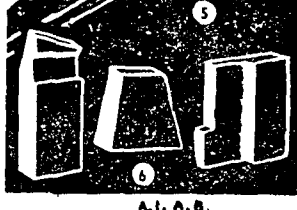
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shop is to be established at the orphanage. Additional block loans have been sanctioned to Mysore, Rajasthan, and Madhya Pradesh for disbursement to small industrial units under the State Aid. Mysore gets Rs. 9 lakhs, Rajasthan Rs. 3.5 lakhs and Madhya Pradesh Rs. 2 lakhs. Also grants have been given to Bombay, Punjab and Mysore to meet half of the expenditure incurred by them on the employment of additional staff for the development of small scale industries.

Packing Charges for Cement for Next Quarter: On March 27, 1954, the Government of India announced that packing charges for cement would be fixed every quarter on the basis of the average of the maximum and minimum market price for packing material, during each week of the immediately preceding nine months, plus Re. 1.25 per ton to cover incidental charges. On this basis, packing charges for the current quarter were fixed at Rs. 13.64 per ton. The packing charges for the next quarter commencing from April 1, 1958, work out to Rs. 13.23 per ton. The Government of India have informed all the State Governments of the revised packing charges.

TRADE

Concessions to Promote Exports: In pursuance of their policy to promote exports, the Government of India have decided to allow drawback of duty paid on the imported silver used in the manufacture of Silver Jewellery or Silverware subsequently exported, at the rate of 50 nP. per ounce of silver contained in the goods for export. Certain amendments have also been notified in the existing scheme of drawback on the export of electric fans and chokes for fluorescent lamps. For particulars regarding the procedure for obtaining these concessions, exporters are advised to contact the Collectors of Customs at the ports of export.

Payment Arrangements Between India and Egyptian Region of U.A.R.: Matters of common interest concerning trade and commercial payments between the Egyptian region of the United Arab Republic and India have been reviewed in friendly discussions which have taken place between the officials of the Government of India led by Shri K. B. Lall and the Egyptian Trade Delegation led by Dr. M. B. Chiat. This review has been made in the context of the foreign exchange difficulties of the two countries and in the light of the latest foreign exchange regulations promulgated by the Egyptian Government. It has been agreed that so long as the current foreign exchange regulations remain in force in Egypt, contracts for import of tea and jute goods from India and export of cotton to India, will, as an exception to the rupee payment arrangement stipulated in the Agreement of March 8, 1957, be made in terms of Egyptian pounds. The State Bank of India will open with the National Bank of Egypt an export account in Egyptian pounds to provide banking facilities to Indian exporters of tea and jute goods and to Indian importers of Egyptian cotton. Export and import of goods, other than tea, jute goods and cotton, will continue to be paid for in Indian rupees.

FINANCE

Arrears of Income-tax: Income-tax arrears recovered during the period April 1, 1957 to December 31, 1957 amounted to Rs. 21,94,59,000, stated the Deputy Minister of Finance, Shri B. R. Bhagat, in the Lok Sabha recently. Figures for the rest of the finance year were not yet available, he added.

U.S. Investments in India and Other Asian Industries: United States private investments in India and other Asian nations have undergone substantial expansion and diversification during the past eight years, the "Journal of Commerce" reported recently. According

to the "Journal," direct American investment in Indian industries went from \$37.7 million in 1950 to \$68 million in 1953 to \$109 million in 1956. The "Journal" also reported a steadily rising total of U.S. investment in other independent Asian nations. Explaining the evolving pattern of U.S. Asian investment, the "Journal" said: "Traditionally, U.S. direct investment in Asia, has for the most part, taken the form of wholly-owned subsidiaries. During the past eight years, however, there has been a marked change in the pattern of direct U.S. investment. 'More and more U.S. manufacturers have been exploring the possibilities of investment in Asia,' the 'Journal' said.

Cheque System to be Introduced in Post Office Savings Bank: The facility of withdrawal by cheque from Post Office Savings Bank introduced as an experimental measure in the Bombay G.P.O. having proved successful, it has been decided by Government to extend it gradually to all Head and Departmental Sub Post Offices in the country. To begin with, it will be extended from April 1, 1958 to Head Post Offices and a few selected Sub Offices at Calcutta, Madras, Delhi, New Delhi, Ambala, Patna, Lucknow, Nagpur, Jaipur and Ahmedabad. The essential conditions to be fulfilled by a depositor for making use of this facility are that he should be literate and that he should maintain a minimum balance of Rs. 250. New depositors intending to use the cheque system for withdrawals would be required to be introduced by a person known to the post office. The facility of withdrawal by cheque, which involves no extra cost to the depositor, will be available to single and joint adult depositors operating their own accounts and to private companies in respect of Employees Provident Fund Accounts only. Applications for issue of cheque books may be made to the postmaster concerned. From the same date the facility of deposit by cheque, both local and outstation, without being marked 'good for payment', is being extended to all Head and Departmental Sub Post Offices throughout the country. The cheque, however, must be drawn in favour of the depositor or by the depositor himself in favour of the postmaster.

Aid From UNICEF: The Government of India made a request to the UNICEF Executive Board for aid to some of the public health projects in India for consideration at the meeting of the Board in March, 1958. The projects for which aid was requested are the following: Trachoma Pilot Project, \$13,800; Skim milk powder (5,500 short tons), \$2,47,500 (freight only); Development of Paediatric Training in Bombay, \$83,000; Development of National Tuberculosis Programme, \$2,66,000; Supplementary Assistance for B.C.G. Campaign, \$58,000; and Primary Health Centres, \$2,155,000.

GENERAL

Employees' Provident Fund Scheme: The Central Board of Trustees of the Employees' Provident Fund, at its meeting at New Delhi recently decided to recommend to Government that interest at 3½ per cent per annum be credited to subscribers' accounts for 1958-59. The same rate of interest was declared for 1957-58. The total amount of provident fund contributions for 1958-59, on which the rate of interest has to be declared, is estimated at over Ra. 46.48 crores and the net amount available as interest is Rs. 1.76 crores. The rate of interest has thus been worked out at 3½ per cent.

Labour Demands in Public Sector: An inter-departmental Committee has been set up to facilitate consultation among the Ministries concerned on questions regarding labour demands in undertakings in the public sector. The Committee consists of representatives of the Ministries of Labour and Employment and Finance and of the employing Ministries.

NEWS IN BRIEF

INDIAN

An Indo-German prototype workshop training centre will be set up shortly in New Delhi at a cost of Rs. 1 crore with a view to manufacturing such spare parts and machinery as the small-scale industries are not in a position to manufacture.

The All-India Council for Technical Education has recommended the establishment of nine large-sized engineering colleges and 27 new Polytechnics as centrally sponsored institutions.

The Government of India has decided to release an export quota of 50,000 bales of short-staple varieties of raw cotton (other than Bengal Deshi Cotton) not above 23/32" in staple of any crop.

Jute rags and jute rag waste which have no spinning value have been decontrolled for the purposes of export with effect from March 18, the Joint Chief-Controller of Exports announced recently.

The Union Ministry of Commerce and Industry has announced that the packing charges for cement for the current quarter commencing from April 1 work out to Rs. 13.23 per ton. The charges for the last quarter were fixed at Rs. 13.64 per ton.

India exported engineering goods valued at Rs. 4.38 crores to over 40 countries during 1957. The principal importers were Africa, South-East Asian countries, West Asia, Australia and New Zealand.

India's export trade in electric fans got off to a good start this year with a total shipment of 4,453 fans valued at Rs. 4.3 lakhs in January, compared with about 1,016 fans worth Rs. 1.17 lakhs a year ago.

India exported 82,126 tons of coal to Pakistan in February as against 88,770 tons in the preceding month, it is officially learnt.

The Government of India have decided to issue licenses for the import of cuminseeds from Afghanistan to established importers on the basis of 100 per cent of half of their best years imports from Afghanistan within a fixed monetary ceiling. Licenses will be issued without exchange control copies and will be made valid for import from Afghanistan only till June 30, 1958.

Problems regarding industrial relations would come up for discussion at the Labour Ministers conference and the Indian Labour conference scheduled to be held at Naini Tal from May 15 to 20.

The Government of India are seeking deferred payment terms for machinery and equipment for a security paper mill to be set up at Hoshangabad for the manufacture of currency, bank note and other security paper at a cost of Rs. 4 crores. Negotiations are in progress with a London Firm.

FOREIGN

New Zealand's overseas exchange transactions resulted in a deficit of £37.6 millions in the year ended February 28, 1958, compared with a surplus of £1.3 million for the previous year.

U.S. Government's economists have estimated that the latest U.S. unemployment figures might have risen above last months post-war record total of nearly 5.2 million.

It is expected that the South African Government's ordinary revenue, mainly from taxation, will reach a record at £300 million at the close of the financial year this month.

France had a £28.5 million visible trade deficit in February. Both exports and imports were lower than in January but, allowing for the shorter month, there was virtually no change.

A Bill for a new Swedish Customs Tariff to come into effect on January 1, 1959, has been submitted to the Riksdag. While largely maintaining the present average tariff level, the proposal recommends a change-over from specific to advalorem duties for most commodities outside the agricultural field.

It is reported the United States Agriculture Department is considering establishing a direct export subsidy for cotton.

The Ceylon Government has announced increase of export duty on high-grown teas from 65 to 70 cents per pound.

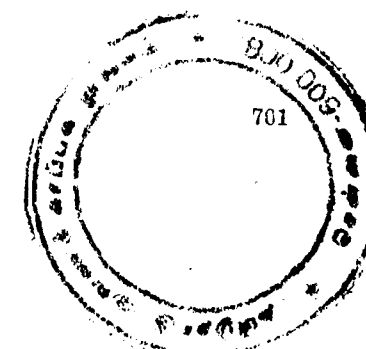
Crude oil production in the consortium Agreement Area of Iran in 1957 reached a new all-time record level at 34.8 million tons exceeding 1956 production by one-third.

Foreign countries added \$187 million (£67 million) to their holdings of gold and dollars in the fourth quarter of 1957. The Commerce Department reported that the outflow of reserves from the U.S. is equivalent to a shift of \$440 million if allowance is made for seasonal forces.

Britain, the U.S., France and West Germany will divide between them 20 per cent of the "B" shares in the newly-formed Middle East Industrial Development Project Corporation (MIDEC) to be registered in Luxembourg with a capital of 1 million Swiss francs.

Dutch foreign trade in February showed marked improvement on February last year. The import surplus was reduced to Fls. 176 million against Fls. 376 million. Imports were Fls. 1,090 million against Fls. 1,179 million in January and Fls. 1,251 million in February, 1957.

The Japan Cotton Spinners Association has decided to curtail cotton yarn production to about 182,000 bales a month during the second quarter of this year.



A DELHI DIARY

THE RESULTS OF FISSION?

ASCENDING to giddy heights, I propose to keep myself this week entirely at Ministerial level. There were happily two speeches this week on which I can rest at that level. The first of these was Mr. S. K. Patil's reply to the debate on the demands for the Ministry of Irrigation and Power, the second, Sardar Swaran Singh's speech before the Ministry of Steel's demands were debated. Rarely has any of us heard so able (and so joyful) a criticism of the Government as came from the departing Minister of Irrigation and Power. He could speak more freely perhaps as he was so shortly to take over Transport and Communications. But his analysis was nonetheless sound on this account. Perhaps one of the conditions of objective criticism is that one should be detached. In the process of fission (a friend of mine tells me that Cabinet-making is a form of fission in Parkinsonian economics) new energy seems to be released on a significant scale. Undoubtedly, we would not have had from Mr. S. K. Patil or for that matter from Lal Bahadur Shastri the critical speeches on their Departments they made unless they were propelled by the powerful forces of fission.

THE FIVE COOKS

I must return, however, to the subject of Mr. Patil's criticism which was Food and Irrigation. Mr. Patil complained that too many cooks spoiled his broth. The five chief cooks in this particular case were readily described. At the top there is the Planning Commission which not only plans but also supervises and sends out working groups and study teams. Then comes the Ministry of Irrigation and Power which, though a technical Ministry consisting of engineers, experts and statisticians, is also in the picture. The third authority is the Ministry of Food and Agriculture (about which, incidentally, Mr. Patil has said precious little probably on the ground that the less said about it the better). Fourthly, the Agriculture Ministries in the States are lords or monarchs by themselves who resent Central interference in what is a State subject. And lastly, the Community Projects, spreading far and wide, are also 'active' on the food production front. Between all these five authorities, sometimes there are lapses, sometimes there are omissions and sometimes loose ends are not tied up. The net result, however, is that a third of available irrigation is not utilised.

The shot went home in the particular kitchen at which it was most directed. Gentlemen of the Press were entertained to an explanation from the Ministry of Food and Agriculture showing how the Minister of Irrigation and Power had exaggerated the disorganisation of official machinery of food production. Apparently, co-ordination is effected by numerous instruments, which throw bridges from kitchen to kitchen and thereby ensure a flow of food. But what happens to the water which falls by the wayside, or is otherwise not utilised? The Ministry of Food and Agriculture gave no adequate explanation for this, and the Food Minister's confident speech in the House on the demands of his Ministry has (alas!) not filled the gap.

I must pass rapidly to Mr. Swaran Singh's statement which was read with meticulous care leading me to the conclusion (elementary, my dear Watson!) that it was written by Mr. S. Bhoothalingam, Secretary of the Ministry of Iron and Steel. It was a most able statement, frank, and at the same time persuasive: the

strategy of reading it before the debate rather than after it was also effective. It must have shot down many dummy criticisms which would have been raised, thereby no doubt, cramping the style of many members of Parliament who had not suspected that the Minister would have the first go. The most impressive point made, I think, was the one on foreign exchange on which the Minister said: "All that I wish to emphasise is that these steel plants in which we invest about Rs. 500 to 600 crores and spend about Rs. 300 crores of these in foreign exchange, will save us about Rs. 150 crores in foreign exchange every year. From that point of view the expenditure is well worth it and we must go all out to complete these steel plants quickly, without losing time on petty procedural details and the like."

PETTY PROCEDURAL CHANGES

Everyone will echo this appeal that we should lose no time on "petty procedural details." But why then does the Ministry of Fuel and Power (in addition to the Ministry of Commerce and Industry) engage on the petty procedural question of changing in absurd haste the Chairmen of Hindustan Steel (Private) Ltd., the State Trading Corporation, and the Heavy Machinery affair? The Chagla Commission (of revered memory) did suggest that Chairmen associated with State enterprises should have appropriate business experience. But the Chagla Commission never suggested (and it would have been hopelessly ridiculed if it did) that the best way of getting the tangle resolved was to replace a brilliant civil servant by a retired civil servant, obviously less brilliant. This is precisely what Sardar Swaran Singh seems to be contemplating in the Ministry of Steel where the present Managing Director, Mr. S. Bhoothalingam who is also Chairman is to be replaced (my newspapers tell me) by Mr. Pande, ex-Chairman of the Railway Board. I shall not deal with Mr. Chandulal Parikh or others similarly proposed as I have to confine myself to ministerial level. But I will say my piece on the Minister.

Why does Mr. Swaran Singh preach silence on procedural details and promptly get himself involved in one of the worst procedural details that have ever come up before a Ministry? If Mr. Bhoothalingam was to be replaced by somebody who could assist him and not hinder him in the discharge of his duties, there would be no objection. But the body is almost impossible to find. Surely, the answer is that for a year or two existing arrangements should not be altered. Thereafter, the proper person to be Chairman of Hindustan Steel (Private) should be located on the excellent principles which find needles in haystacks.

I am sorry to be so forthright in this matter, but it does seem to me that our Ministers lose all sense of proportion when they suddenly grab the wrong end of the stick. May I suggest (for all those who have not suffered from an excess of insurance literature) a re-reading of the Chagla report? And may I suggest to Sardar Swaran Singh that, before he puts another spanner in his own works, he should consider the excellent advice he has given to the country, and avoid preoccupation with petty procedural details? The country wants better progress on the steel plants; not more political patronage of which we have already had too much.

A DELHI NOTEBOOK

CHEERLESS AND CHEERFUL

MR. LAL BAHADUR SHASTRI'S speech in the Lok Sabha was partly cheerless and partly cheerful. The cheerless part of it contained the announcement that as the postal rates in India were the lowest in the world—compare this with Mr. Raj Bahadur's admission that motor vehicles taxation in India was the highest in the world and hence called for reduction—they were to be "readjusted" to bring in more revenue.

The other part of his speech contained more than one cheerful announcement. The World Bank's decision to give a loan of \$14 million for the development of Madras Port was one. A moratorium on nationalisation of goods transport by road till the end of the third Five-Year Plan—five years more than contemplated earlier—was another. The likelihood of India getting at least ten new ships from Japan through Yen credit, liberalised deferred payment facilities and barter arrangements was yet another. A scheme of providing "express highways" (with roads widened and having separate lanes for fast vehicles and for slow-moving ones) on roads where there was heavy traffic as, for example, in the industrial belt of Bihar and Bengal and on the Madras-Bangalore route was the fourth to be announced.

BUTTRESSING INEFFICIENCY

Mr. Shastri had two other cheerful announcements but, this time, for the benefit of a public enterprise—the Indian Airlines Corporation. According to one, the question of exempting aviation fuel from duty "so that the I.A.C.'s working could be stabilised" was just being examined by the Finance Ministry. And, according to the second, the question of possibly increasing the rate of payment for conveyance of mail by the I.A.C. was being examined by the Director-General of Posts and Telegraphs. These two announcements were good enough commentary on the efficiency and profitability of a state enterprise and on how inefficiency therein could be covered up by concessions which other departments of the Government can readily grant.

ASSAM OIL REFINERY

Some information is now available on what it will cost to exploit the oil found in Assam. One estimate is Rs. 82 crores including Rs. 44 crores by way of foreign exchange. This estimate covers the proposed outlay on two refineries in the public sector—one in Assam and the other in Bihar. The rupee company to be floated jointly with the Assam Oil Company will have an authorised capital of Rs. 50 crores of which a third will be contributed by the Government of India. It is learnt the first issue of authorised capital will be Rs. 12 crores of which one-third will be contributed by the Government of India. The Assam Oil Company may advance a loan of about Rs. 13 crores to the rupee company on account of the expected foreign exchange expenditure on the first stage of the pipeline from the Assam oil wells to the Assam refinery. The foreign exchange component of the second pipeline from the

oil wells to the Bihar refinery is not exactly known. And the foreign exchange that will be required for the Assam refinery is estimated at Rs. 6 crores while that for the Bihar refinery is not known. Rumania has offered to provide the foreign exchange for the first refinery to begin with. As the latest American loan will not be available for refineries or pipelines in the public sector, help from Communist countries has been and is being sought.

BRITISH INVESTMENTS IN INDIA

Latest available figures of British investments in India show that they were Rs. 210 crores at the end of June 1948 and Rs. 392 crores at the end of 1955. Apart from these figures of investment, there are also available more recent figures of deferred payment credits by the United Kingdom. Before the rise in the British Bank Rate in September, 1957, deferred payment credits given to India totalled Rs. 8.9 crores of which Rs. 4.4 crores carried 6 per cent interest. Since the rise in the Bank rate to 7 per cent, imports on deferred payment basis have come to Rs. 3 crores of which Rs. 1.1 crore carries 7 per cent interest and Rs. 1.4 crore 9 per cent.

ALUMINIUM AND SHIPPING

With the likely collaboration of a French firm in the proposed establishment of aluminium plants at Mettur and Rihand, the private sector will have two more aluminium factories. Their initial capacity will be 10,000 tons and may involve a capital cost of Rs. 30 crores in all.

An idea of investment in Indian shipping may be had from the following figures: Indian nationals have invested Rs. 16.5 crores in the paid-up capitals of the Indian shipping companies in the private sector. In the public sector, the Eastern and Western Shipping Corporations have absorbed Rs. 9 crores by way of investment by the Government of India. In both sectors, the shipping companies have taken large loans from the Government, the private sector companies accounting for Rs. 24.7 crores and the public sector ones Rs. 1.6 crore. The private sector companies have repaid Rs. 3.4 crores while the public sector ones Rs. 0.3 crore.

THE COST OF PORT CONGESTION

The port congestion last year was thought of as a serious inconvenience, but it was not known how much loss it caused to the Government and the private sector. Figures pertaining to the public sector show that the demurrage payable in the beginning of 1958 in respect of the Bhilai Steel Plant imports was Rs. 46 lakhs and demurrage payable on other imports Rs. 8 lakhs. In the quarter May-July 1957, the Departments of Food and Agriculture paid Rs. 24 lakhs, the Department of Iron and Steel Rs. 44 lakhs and the State Trading Corporation (from May to December 1957) Rs. 9 lakhs. The loss incurred by private trade and industry should have been still greater.

competition. "The Financial Times" in an editorial in its issue of March 26 last has stressed that a concession to Lancashire on the basis of import restriction may set in motion a chain reaction. The editorial ends up with an emphatic note that the real remedy for the industry's ills lies in Lancashire, not in Whitehall.

CONDITIONS FOR COFFEE EXPORT

ADDRESSING THE Ninety-fourth, and perhaps the last, Annual General Meeting of the Mysore Planters' Association — the Association has decided to disincorporate — held this week at Chickmagalur, Mr. Lakshman Gowda drew pointed attention to some problems of the Coffee industry. The most notable among these were the changes in the nature of the coffee market and the official policy towards this industry. Expressing his satisfaction over the production trends in the Indian coffee industry, which has produced a record crop of over 42,000 tons, Mr. Gowda said that, according to "The Eastern Economist" Indices of Agricultural Production, the index number of coffee has had the most striking advance, reaching 262. Coffee production during the last decade has indeed, been impressive. As Mr. Gowda said, "taken as a whole, for the 30 per cent increase in area in the last 10 years, there has been a 151 per cent increase in production".

Turning to the problem of changes in the nature of the coffee market and to the frequent swings in official policy regarding coffee exports the M.P.A. Chief said: "From 1948 to 1952, the Central Government was eager to export as much coffee as possible and it was prepared to insist on exports even if that led to a possible shortage in the home market. In 1953, there was a reversal of this policy. After about five years of concentrated effort to feed the internal market, there has suddenly come a switch in the policy of the Government again. The industry is now being asked to export all it can." But by the time this swing in the government opinion has taken place, the foreign market has gone against us and the position might be worse still before the end of this year, unless the recent international negotiations for a world coffee agreement are successfully concluded. For there is the problem of an ever-increasing surplus appearing in the world market. Due to a long period of absence from the overseas markets, our traditional hold on those markets has naturally disappeared and needs to be rebuilt.

LOPSIDED INCREASE IN BANKING COSTS

THE SOUND structure of management which the Central Bank of India has built over the years is standing it in good stead in the current phase of increasing strain of operating costs experienced by this country's banking system as a whole. The story of another stride made by the bank last year in overall progress can be gathered from the account narrated by the Chairman, Sir Homi Mody, at the recent annual general meeting. His speech appears elsewhere in this issue. It is important, however, to underscore the disturbing trend towards a disproportionate increase in costs. The experience of this bank is typical of the experience of almost all the scheduled banks.

The toll of mounting costs is well illustrated by one important indicator. While the bank's gross earnings rose in 1957 by 19 per cent above 1956, the increase in gross profits was considerably low at a little above 6 per cent. The increase in the Bank Rate from 3½ per cent to 4 per cent effective from mid-May 1957 no doubt brought an increase in interest earnings on advances. But this increase was largely neutralised by the increase in the higher interest rates paid on deposits. In the result, net earnings from interest and discount recorded a modest rise of Rs. 10.36 lakhs. The Savings Deposits Accounts of the bank have earned popularity. But in view of the fact that they ruled last year at an average level of Rs. 28 crores, the in-

crease of ½ per cent to 1 per cent in the interest rates offered on these deposits put up the costs appreciably. There was still another potent cause responsible for putting up banking costs. Government borrowing in the capital market at 4 to 4½ per cent and attractive rates and terms for small savings aggravated the burden of costs for scheduled banks. They also accelerated the shift from demand to time deposits bringing in its train higher interest liability.

The Chairman has made special reference to the rapid rise in establishment charges and in particular the salary of staff. In spite of an increase in staff necessitated by the growing volume of business, payment on account of overtime went up by almost 100 per cent. He has made a touching appeal to the staff to realise where their own real, long-term interest as well as that of the management lay. The long drawn-out dispute between the staffs and managements of Indian banks ended in conferring substantial benefits on the staff. This outcome was expected to restore smooth employer-employee relations. Contrary to expectation this has not happened. Disturbances and dislocations in work persist. The staff ought to ponder seriously over the Chairman's appeal to appreciate the fundamental fact that their own as well as the management's interests are linked with the financial stability and continuous prosperity of the bank.

CEYLON'S TEA EXPORT DUTY

IT WAS certainly surprising to learn, according to reports in the Indian Press, that Ceylon had raised the export duty on tea from 65 cents to 70 cents effective from mid-night of March 24. The surprise was due to the fact that the increase came at a time when the climate in the international tea market was getting adverse. This initial report gave only a partial account of the entire scheme of revision of the duty. Now that fuller details of the whole scheme are available this element of surprise disappears. What the Ceylon Government has done in fact is that the export duty has been increased only on the high grades of tea, obviously because it feels quite confident that Ceylon's high grade tea has an assured market abroad. But in regard to middlings or lower grades of tea the export duty has been reduced indirectly by means of a scheme of rebates. In pursuance of the scheme of rebates, all teas which will bring prices below Rs. 1.5 per pound at the Colombo auctions will be entitled to a rebate equal to the difference between Rs. 1.5 and the price actually realised. There is, however, a maximum limit of 50 cents to the pound for the rebate.

However, to prevent very low or rubbish teas getting into the export sales and affecting the credit of Ceylon teas, it has been decided that no teas which will be sold at the Colombo auctions for a price below 60 cents to the pound will be entitled to the rebate. The enhancement in the export duty for higher grades is intended to compensate for the loss to the Exchequer due to the payment of rebates. It is explained that this scheme is a purely stop-gap arrangement and the Ceylon Government is considering long-term measures to sustain the tea export trade. This scheme should make it abundantly clear that just as India's common teas have become vulnerable to competition in London for a considerable time past, the medium and low grade teas of Ceylon have also become vulnerable to it. The case for substantial reduction in the export duty on Indian tea, therefore, stands vindicated.

T. STANES & CO. LTD.

IN THE Company report of M/s. T. Stanes & Co., Ltd., published in our issue of March 21, 1958, on page 641, the figure, under the head 'Less difference in consolidation due to variation in dates of subsidiaries', for the year ended September 30, 1956 appears incorrectly as 0.02 (lakhs of rupees). The actual figure is 0.24 (lakhs of rupees).

TIME REVEALS TRUTH RUNNING DEER SYMBOLISES ADVANCE



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Economic Report from the U. S.

NEVADA TEST

(By GUY SIMS FITCH)

WASHINGTON, March 25.—“There is something that fires the imagination in the idea of putting the enormous explosive force of the atom to work for industrial purposes. And so there is a touch of real excitement in the otherwise matter-of-fact announcement that the Atomic Energy Commission and the University of California learned when they exploded an atomic bomb deep inside a Nevada mountain last September.” So speaks the American Magazine “Business Week”, in its current issue — and with good reason. For the results of that underground blast, details of which have been released only recently point to the very real possibility that U.S. scientists have found a way to use the power of the atom for non-military blasting. Much still has to be learned, of course, before the possibility becomes reality.

A key to the Nevada experiment's peacetime prospects is the fact that radioactive byproducts of the blast, as well as the intense heat of the test explosion, were confined in a shale of melted stone nearest the blast. This means that the physical hazards of radioactivity and high temperature were greatly reduced, if not virtually eliminated. A highly important safety figure ignored even though in many instances, human beings might not even have to approach the nuclear explosion site. Furthermore, U.S. scientists are making continuous progress in developing a clean nuclear device — one that generates little radioactive fall-out. Mining engineers who have examined the Nevada test results believe that atomic blasting might make it possible to get at large ore deposits more easily and cheaply than is now the case. It is noteworthy that as nuclear bombs go, the one used in the underground test was a relatively small one of 1.7 kilo tons. But this means that it had a force

equivalent to 1,700 tons of that powerful conventional explosive. The signs are equally encouraging for the oil industry. The Atomic Energy Commission which is as enthusiastic as industry points out that the test blast crushed some 400,000 tons of rock inside the mountain in which it was fired. The thinking is that such an explosion might be used to loosen up rock formations around oil wells, thus permitting more oil to flow to drill holes. There also is the possibility that the retained heat of the explosion could be used to make oil more fluid, thus increasing its recovery. And there are some petroleum engineers who think the underground heat could be used to liquify oil contained in shale depots, which today cannot be commercially exploited because of high recovery costs.

These, of course, are only two examples of potential industrial applications. One of the most important might turn out to be the production of steam for electric power and other purposes. Scientists calculate that the Nevada test blast created temperatures of thousands of degrees. Under the proper circumstances, it might be possible to pipe water to the confined hot spot, and thus get steam for running a turbine or for heating. Underground blasts also could be used on big earth-moving jobs, such as digging canals, harbours and tunnels. They might gasify coal if set off in the centre of a large vein. They might produce valuable radioisotopes, which could be extracted from the molten rocks. And they could help unlock more of the secrets of the earth's internal structure. While last September's successful underground blast served also to find out whether military bombs can be tested without radioactive fall-out, etc., this should not detract from the peacetime potential of the experiment.

DECLINING BUSINESS ACTIVITY

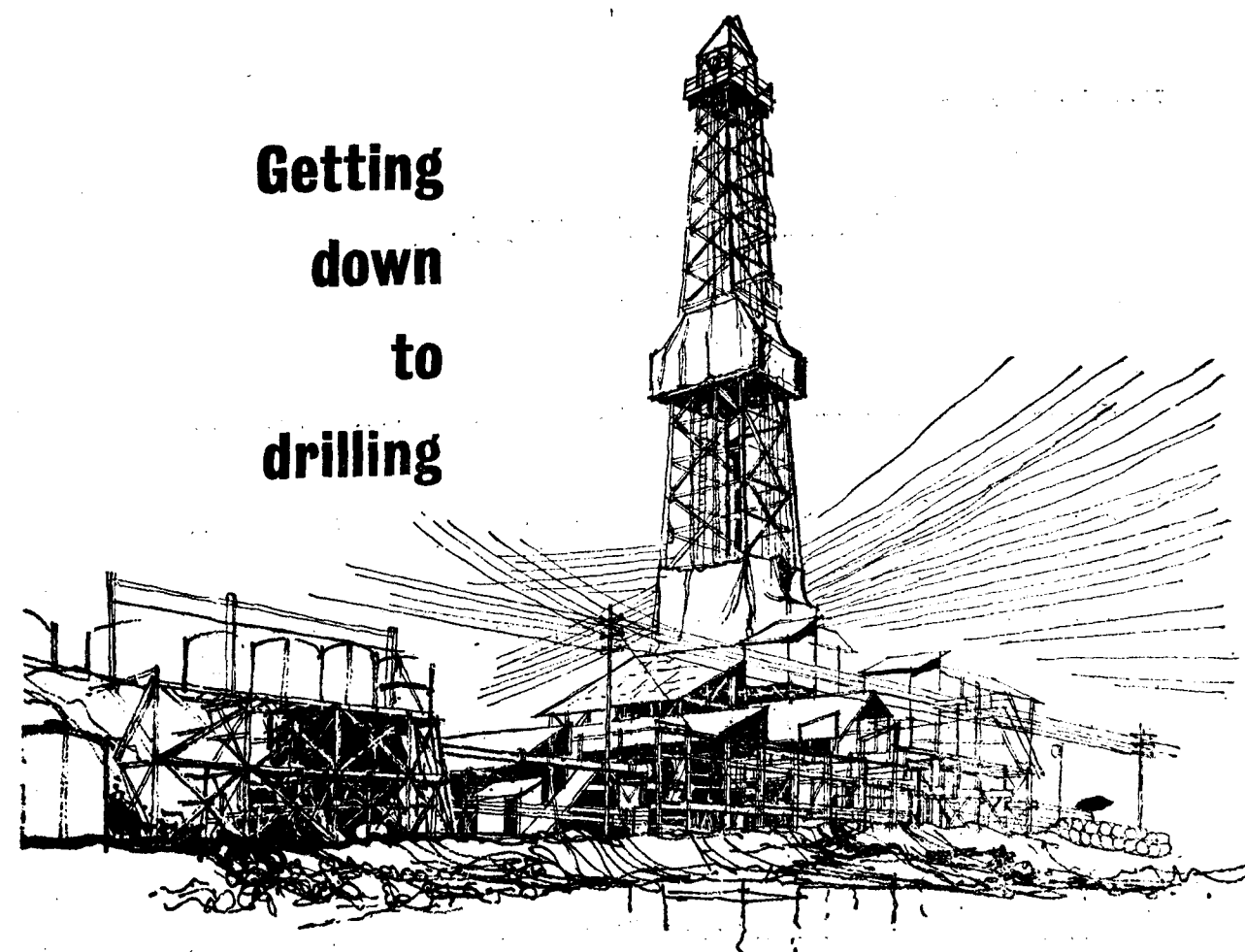
WASHINGTON, April 2.—What is holding prices up? This question has captured the attention of many Americans in recent months. For it is one of the strange aspects of the current economic adjustment in the United States that while business activity has been declining, the so-called consumer price index has been rising. Normally, with demand and production slackening, one might expect price levels to drop as well. But the latest figures available, those for February, put the consumer price index at 122.5 of the 1947-49 average, a rise of 0.2 per cent from January 1958 and of 3.5 per cent from February 1957. Since the middle of last year, when the present economic adjustment appears to have started, the index has risen 1.4 per cent.

Closer examination, however, clears up some of the seeming mystery of this price-production-demand relationship; actually, as government economists insist there is only an indirect link between current business conditions and the consumer price index. First, the index is not, in the true sense of the word, an accurate statement of the day-to-day cost of living, nor was it designed to be one. Rather, it measures changes in the prices of a fixed list of goods and services chosen to represent the customary spending pattern of average American families. Its main value thus lies in a comparison it affords with price trends over the long run. Second, there is a natural understandable lag between consumer price quotations and general business conditions. The prices quoted for goods at retail today tend to reflect the costs of labour and materials that went into their production some months ago. Economists also cite two other reasons for today's rising consumer prices in the face of a business, downturn.

One applies specifically to current conditions the other to more basic and long-term trends in the US economy. On the current side, it is quite evident that food prices, which are now some 4.5 per cent above a year ago, have played a large part in pushing up the overall consumer price index.

As for the more basic price trends, government economists point out that the cost of consumer services medical fees, transit fees, rents, utilities, home and appliance repairs—have been taking a relatively large share of the consumer dollar for some years now. The service category accounts for about one-third of the total consumer price index. It is an observable fact that service costs move rather sluggishly. Since they are adjusted infrequently, and not with every fluctuation in the economy, they tend to prop up the entire price structure. This is not to say that every item in the consumer price index has been rising steadily in recent months. The business adjustment is being reflected in somewhat lower prices at which such items as automobiles, home appliances and clothing can be bought, these, interestingly enough are the mind of “discretionary” items on which consumers might be expected to restrain their spending during this adjustment period, even though their savings are at an all-time high and their total income has dipped only slightly below last year's record rate. Eventually, of course, if the economic downturn were to last long enough, the over-all consumer price index might be subject to a relatively sharp dip. But few economists see such an eventuality in the making, and not expect the index to show little change downward in the coming months.

The Story of Oil—?



Getting
down
to
drilling

The oil driller's derrick looks imposing and strange as it stands silhouetted against the sky, but it is merely a sturdy steel support for lowering and raising jointed lengths of heavy pipe into and out of the well during the drilling operations.

In modern drilling, a sharp-toothed bit is first attached to a length of steel pipe called the drill pipe. The drill pipe, held vertical by a giant block and tackle system in the derrick, is lowered into a pilot hole and revolved by means of a turntable on the derrick floor. The turntable is rotated by powerful engines behind the derrick. As the pipe is turned, the bit cuts a hole in the earth's rocks and lengths of drill pipe are added as the hole becomes deeper.

When the bit becomes worn the entire length of drill pipe must be removed, unjointed, and stacked in the derrick. After the new bit is

attached the pipe is joined together and drilling begins again.

All during drilling, specially-prepared mud is pumped down inside the drill pipe. It passes through perforations in the bit and is forced back to the surface outside the drill pipe. This mud has many useful functions. It flushes rock cuttings back to the surface for examination, cools the bit and plasters the walls of the hole to prevent them from caving in. As drilling progresses the hole is lined with successive lengths of steel pipe called casing.

An oil well has been drilled to a depth of four miles, but a 10,000 foot well is still considered deep. Drilling at such depths is an extremely delicate operation, requiring great skill and long experience. Only by drilling, however, can the oil prospector prove the presence of mineral oil.



Assam Oil

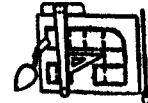
A full-scale petroleum industry

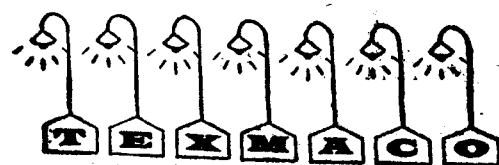
This is one of a series of informative advertisements about the petroleum industry.



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Company Meeting

The Central Bank of India Limited

Chairman's Address to the Shareholders at the 47th Annual General Meeting

Speech delivered by the Chairman, Sir Homi Mody, at the Annual General Meeting of the Shareholders, on Friday, the 28th March, 1958.

Ladies and Gentlemen,

I have pleasure in presenting to you once again the Annual Statement of Accounts and the Directors' Report.

2. The year under review was marked by increased economic activity in India. Both agricultural and industrial production was generally on the upgrade. At the same time, serious difficulties were experienced in the implementation of the second Five-Year Plan. The growth of inflationary pressure, the shrinkage of internal resources, the depletion of foreign exchange reserves and the continuing increase in Government's non-developmental expenditure brought about a serious strain on the economy and threw out of gear the programmes of development in the public and private sectors.

THE HEALTH OF THE ECONOMY

3. In my speech last year, I referred to the rapid deterioration that had taken place in our foreign exchange resources. The situation became particularly acute during the year under review. It compelled Government to adopt stringent measures of import control which, whatever their justification, were bound to cause a great deal of hardship and dislocation. The Plan estimated that the total foreign exchange requirements over the five year period would amount to Rs. 1,120 crores; it is now calculated that the actual amount needed would be of the order of Rs. 1,600 crores. Owing to the gaping deficit in the balance of payments, India had to draw heavily on her foreign balances and borrow substantial amounts from the International Monetary Fund. Even after taking credit for the loan of Rs. 95 crores from the Fund, the foreign assets of the Reserve Bank of India declined from Rs. 749 crores at the beginning of the Plan to Rs. 280 crores at the end of February 1958. After taking into account the external assistance promised so far, including the American aid recently announced, the gap yet to be bridged is estimated to be in the neighbourhood of Rs. 600 crores.

4. The full extent of the difficulties can be appreciated from the figures which Pandit Jawaharlal Nehru, as Finance Minister, placed before Parliament in the course of the Budget Debate. They relate only to loans already taken, and when we take into consideration the heavy demands which the future is going to make upon us, we have to be prepared to face, as far ahead as we can see, conditions of acute stringency and ever increasing controls. There are no short-cuts to Foreign Exchange; it has to be earned by hard work, enterprise and efficiency.

5. There are other aspects of the economic situation, of equal concern to the public. One of them is the alarming growth in the revenue expenditure of Government. In the 10-year period ending with the Budget Estimates for 1958-59, there has been a rise in such expenditure from Rs. 317 crores to Rs. 796 crores, of which the allocation for Defence is Rs. 278 crores. Civil Expenditure as such amounts to Rs. 517 crores, as

against Rs. 168 crores in 1949-50. Not all of this can be called unproductive, but the rate of increase in non-developmental expenditure is sufficiently high to cause concern. As the Chairman of Barclay's Bank has observed, "little babies have a way of growing into ugly old men". We are aware that modern governments with their greatly expanded sphere of activities are costly affairs, but it is a question for serious consideration whether India can afford to step up her non-developmental expenditure at such a rapid pace. In a growing economy many things are urgent, and in a Welfare State there is bound to be a gathering momentum for all manner of nation-building activities, but ultimately it must all come down to a question of resources and priorities. Those who are confronted with the task of transforming our age-old economy cannot brush aside financial considerations and cannot go on indefinitely imposing a strain on the economy which it cannot bear. It is simply not possible to run too far ahead of the resources of the nation.

THE PRESSURES OF TAXATION

6. Already, in these ten years, in the range and incidence of direct taxation, we have achieved the unenviable distinction of being among the most heavily taxed countries in the world. We are the only country in which there is a direct tax on personal expenditure and where the combined rate of taxes on individual earnings and wealth can exceed 100 per cent of income. So far as individuals, firms and companies are concerned, nowhere else are people called upon to bear so many different taxes and imports. Can India, in her present stage of development, afford the pace which is being forced upon her, without gravely imperilling her capacity for the production of goods and services? No one can possibly question the concept of social justice and the compelling necessity of a wider diffusion of well-being throughout the community. But it is axiomatic that wealth has to be produced before it can be distributed. If the incentive to earn, to save and to spend is increasingly to be denied, where is it ultimately going to end up? If the answer is that, whatever happens, there can be no retreat from the Plan, it may well be asked whether the Plan is to be the master or the servant of the economy? In these last few months, there has been a greater responsiveness to informed criticism, and I would earnestly urge the need for a closer understanding between Government and the business community. The so-called vested interests may be conservative and their outlook may sometimes be suspect, but they have learnt a great deal in the last few years and have a real desire to employ their experience and resources for the general good; and they can inject a sense of realism into our planning which is sorely needed.

THE BANK RATE

7. Turning to events in the field of Banking, the Reserve Bank adopted during the year a series of measures in order to keep under control the inflationary pressure generated by the heavy capital outlay and by

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COMPANY AFFAIRS

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The net revenue of the Industrial Investment Trust Ltd. for the year ended December 31, 1957 amounted to Rs. 592,898 as compared to Rs. 599,628 for the previous year. Together with the amount brought forward from the previous year and the transfers from the capital reserves, the total disposable profit of the Company amounted to Rs. 9,60,722 out of which more than Rs. 236,000 has been set apart for taxation including Wealth Tax for 1957-58. There is then left a balance of Rs. 724,683 out of which the Directors have recommended a dividend at the rate of 5½ per cent per annum free of income-tax as against 5 per cent for the previous year. The half per cent increase is presumably a silver jubilee gesture to the shareholders inasmuch as the Company has just completed 25 years.

THE CENTURY SPG. & WVG. CO., LTD.

The plight of the textile industry has again been highlighted by the results of the working of yet another leading cotton mill, namely the Century Spg. & Wvg. Co., Ltd. for the year ended 31st December, 1957. Despite the increase in sales during the year by nearly Rs. 150 lakhs (which was mainly due to sales of the Company's rayon factory) the gross profits of this Company before charging depreciation, Managing Agent's Commission and providing for taxation amounted to Rs. 67.77 lakhs or a drop of Rs. 28.87 lakhs over the previous year. The full depreciation under the Income Tax Act for the year is estimated at Rs. 88.95 lakhs but only the normal rates prescribed under the Act at Rs. 37.75 lakhs have been provided and this compares with Rs. 30.80 lakhs for the previous year. The development rebate takes away Rs. 18.32 lakhs as against Rs. 55 lakhs in 1956 while the Managing Agents' commission has dropped from Rs. 6.45 lakhs in 1956, to Rs. 2.91 lakhs. The provision for taxation (Wealth Tax including previous year's liability for income-tax) is Rs. 7.12 lakhs as against Rs. 3.11 lakhs for 1956. The

balance of Rs. 1.67 lakhs together with the previous carry forward of Rs. 7.61 lakhs i.e. Rs. 9.28 lakhs in all, has been carried forward. In order to maintain the final dividend of Rs. 14 per share, to make a total dividend of Rs. 22 per share for the whole year, the Directors have had to draw from the profits of previous years of the Company that had been taken to the General Reserves.

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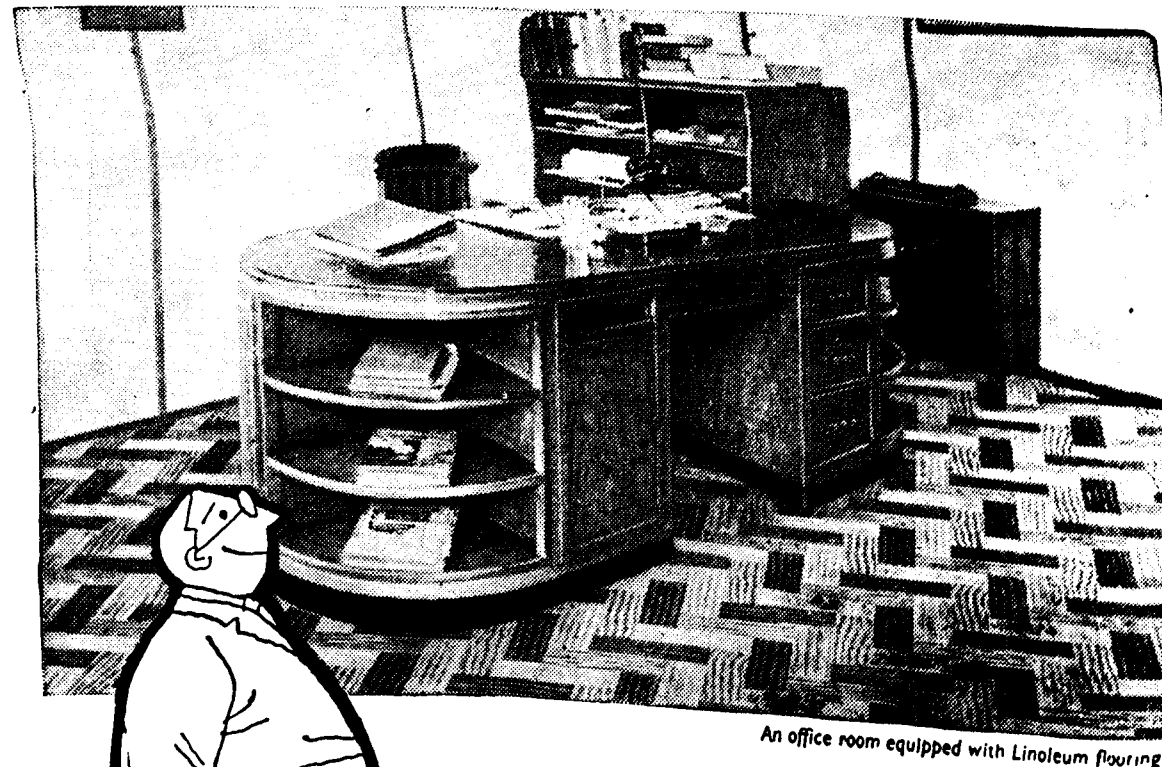
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Manager,

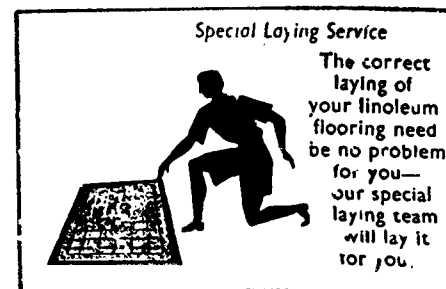
The Eastern Economist Ltd.,
52, Jan Path, New Delhi.



An office room equipped with Linoleum flooring

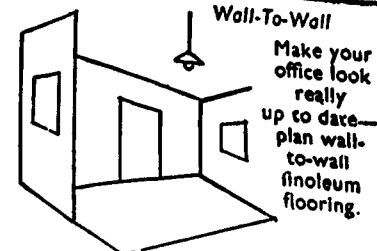
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COMMODITY NEWS AND NOTES

INCREASE IN POTATO ACREAGE

According to the Directorate of Economics and Statistics, Ministry of Food and Agriculture, the all-India first estimate of potatoes, 1957-58, puts the current year's area at 592,000 acres, as against the corresponding adjusted estimate of 576,000 acres for 1956-57. This shows an increase of 16,000 acres or 2.7 per cent in area over last year. The increase in acreage during the current year is shared by Uttar Pradesh, Assam, Bombay, Madhya Pradesh, West Bengal and Tripura, and has been attributed generally to favourable climatic conditions at the time of sowing. This increase has, however, been off-set to some extent by decreases registered in Bihar and Rajasthan. This estimate generally covers the period up to the end of December 1957. Till then, the condition of the standing crop was reported to be generally satisfactory. This estimate does not cover the entire area sown to potato crop. Past experience has shown that the area under potato crop at the first estimate stage forms roughly 80 per cent of the area under the crop finally reported.

MINERALS IN RAJASTHAN

The Geological Survey of India was currently investigation in Rajasthan State clay deposits in Basu and Buchara in Jaipur Division; garnet deposits in Sanwar and Rajmahal, Jaipur district; glass sand deposits at Allanpur and Jhir in Jaipur division; copper deposits in Pratapgarh, Nalladesor or Thanagasi area, Alwar; gypsum deposits at Nagaur, Jodhpur district; wolfram deposits near Degana, Jodhpur division; copper ore to the east of Babai and Paprona in the Khetri area, Rajasthan. Structural mapping was mostly being carried out, with a view to prove the reserves. The investigating officers were still in the field and would not be able to make a final report until their return to headquarters by the end of April 1958.

PRODUCTION AND STOCKS OF SUGAR

The production and despatches of indigenous sugar amounted to 13.36 and 6.36 lakh tons up to February 28, 1958, in the current season, as against 11.69 and 6.35 lakh tons respectively in the corresponding period of the last year. The stocks with the factories on February 28, 1958, stood at 11.28 lakh tons, as compared with 10.61 lakh tons last year.

SUGARCANE PRICES FOR 1958-59 FIXED

The Government of India have fixed the price of sugarcane to be crushed by vacuum pan factories during the 1958-59 season as follows:

(a) A basic minimum price of Rs. 1.44 per maund for delivery at the gate of the factory and Rs. 1.31 per maund for delivery at rail centres; and,

(b) A deferred payment of an amount which may be found due under the formula prescribed by the Government for linking the price of cane with the price of sugar as realized by the factories concerned.

Announcing this, a Press note issued by the Ministry of Food and Agriculture says that the basic minimum prices are the same as have been in force during the last five years.

An expert committee, under the chairmanship of Mr. P. A. Gopalakrishna, appointed to examine the price linking formula adopted in the 1953-54 season

and suggest modifications, if any, with a view to its improvement for use in future years considered the formula sound in principle and recommended its application with certain modifications on a compulsory basis. The formula as recommended by the committee has been accepted by the Government for adoption on an all-India basis, unless any alternative scheme is applied in a State or region by the State Government concerned with the previous approval of the Central Government.

RISE IN OUTPUT AND EXPORT OF LAC

India produced 13.15 lakh maunds of lac during the year 1956-57, 65,000 maunds more than the total produce of 12.48 lakh maunds in 1955-56, according to the annual report of the Indian lac cess committee for 1956-57. Of the total quantity of lac produced in 1956-57, Bihar contributed 45 per cent, Madhya Pradesh 29 per cent, West Bengal 16.1 per cent, Bombay 5.4 per cent and other States 4.5 per cent. A total of 7.69 lakh maunds of different varieties of lac valued at over Rs. 9.47 crores was exported from India in 1956-57 as against 7.33 lakh maunds in 1955-56. The USA, the UK and Western Germany were the biggest buyers. India imported during the year stick-lac and seed-lac worth about Rs. 43 lakhs. Reviewing the condition of lac trade during the year the report said due to heavy Kathaki crop in Madhya Pradesh and Tamil Nad, prices dropped from Rs. 150 to Rs. 137 per maund between January and March, 1956. The drop in prices continued in varying degree in the following months until they touched the lowest to Rs. 85 in February, 1957.

FORWARD TRADING IN RAW JUTE AND JUTE GOODS

Forward contracts in jute goods are at present prohibited under the West Bengal Jute Goods Act, 1950, in that State. Forward contracts in these goods in the rest of the country have been free. So far as raw jute is concerned forward contracts, other than non-transferable specific delivery contracts, have been banned throughout the country except contracts in which delivery is given or taken at jetty or railway siding of any jute mill and the raw jute is insured during transit. In their Resolution of November 1, 1956, on the report of the Forward Markets Commission on the recognition of associations in respect of forward contracts in raw jute and jute goods, the Government of India accepted the recommendation of the Commission that forward trading in jute and jute goods within the city of Calcutta should be conducted under the aegis of the East India Jute and Hessian Exchange Ltd., Calcutta. It was also decided that transferable specific delivery contracts in raw jute and jute goods might be permitted freely for a limited period outside the Exchange. In pursuance of this resolution, the Government of India have granted Recognition to the East India Jute and Hessian Exchange Ltd., Calcutta under the Forward Contracts (Regulation) Act, 1952, for conducting futures trading in jute and jute goods for a period of three years. Forward trading in jute and jute goods except to the extent and in the manner specified above would be illegal. These arrangements would be brought into effect from March 29, 1958 and necessary notifications in this regard have been issued in the 'Gazette of India'.

NO CHANGE IN EXPORT DUTY ON TEA

The Government of India have issued a notification fixing the price of tea, for the purpose of determining the export duty at Rs. 2.95 per pound as against Rs. 2.87 per pound in force from March 1, 1958. There is no change in the existing rate of duty of Naye Paise 38 per pound.

CURRENT STATISTICS

INDEX NUMBER OF WHOLESALE PRICES

(Base: 1952-53=100)

		Food articles	Liquor & Tobacco	Fuel Power Light & Lubricant	Industrial Raw materials	Manufactures			All Commo- dities
						Inter- mediate Products	Finished Products	Total	
1953-54	..	106.7	98.6	99.2	109.7	98.5	99.0	98.9	104.5
1954-55	..	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.5
1955-56	..	86.6	81.0	95.0	99.1	100.1	99.6	99.7	92.4
1956-57	..	102.2	84.3	104.1	116.0	110.9	105.5	106.2	105.2
August	1957	112.1	92.1	114.7	120.1	108.2	108.6	108.6	112.0
September	"	108.5	93.7	114.5	115.4	107.3	108.9	108.6	109.5
October	"	107.2	95.0	114.5	114.8	106.7	109.1	108.6	108.8
November	"	107.9	96.5	115.0	116.0	106.0	108.8	108.4	109.3
December	"	104.0	97.5	114.9	115.4	105.7	107.8	107.5	107.0
January	1958	102.5	96.4	114.6	113.6	106.7	107.8	107.7	106.0
February	"	100.8	96.7	114.8	111.1	105.8	107.7	107.4	104.6
Week Ended									
15-2-1958	..	100.9	96.7	114.8	111.9	105.4	107.9	107.5	104.8
22-2-1958	..	101.3	96.7	114.8	110.8	106.3	107.7	107.5	104.9
1-3-1958	..	101.4	95.2	114.8	109.8	106.0	107.6	107.4	104.7
8-3-1958	..	101.7	95.2	114.8	110.3	106.4	107.9	107.7	105.0
15-3-1958	..	102.4	95.2	114.8	111.2	107.4	107.7	107.7	105.5

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

Period	Bombay			Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934 = 100	Ahmeda- bad July 1927 = 100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936 = 100	Ludhiana†	Jamshed pur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	188	126	134
1949	292	307	248	132	348	478	377	151	323	184	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	138
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	218	130	321	371	364	133	321	134	135	132
1956	336	352	244	142	347	424	397	151	350	152	146	145
1957	352	368	259	150	364	448	—	162	375	157	158	152
1957 April	339	355	256	148	345	427	415	162	369	161	152	148
May	346	362	257	151	352	441	420	163	369	157	156	150
June	352	368	259	152	371	446	423	166	373	159	156	155
July	358	374	263	152	371	459	424	165	375	159	164	155
August	359	375	265	155	375	468	427	163	373	157	166	156
September	357	373	262	149	378	464	426	160	372	156	167	157
October	356	372	260	149	375	461	429	162	375	155	166	156
November	365	383	265	148	378	457	431	165	391	156	168	157
December	365	383	257	145	375	443	—	165	390	154	166	157*
1958 January	362	381	—	144	368	434	—	—	387	—	—	155*
February	361	380	—	143	—	427	—	—	387	—	—	—

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	28-3-1958			21-3-1958			14-3-1958			7-3-1958		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola)	112.34	110.75	111.53	112.28	111.75	112.07	113.19	111.69	112.56	113.19	111.69	112.43
Silver (per 100 fine tolas)	195.87	194.56	195.16	195.25	193.69	194.65	195.25	190.94	193.33	193.50	191.37	192.41

* Provisional.

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RESERVE BANK OF INDIA
ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSET						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupce Coin	Rupce Securities	Total Assets
1938-39*	182.36	28.28	210.64	44.42	66.95	111.37	52.91	67.11	32.16	210.64
1948-49*	1,231.84	22.02	1,253.86	42.49	907.47	949.96	75.43	42.96	265.62	1,253.86
1949-50*	1,124.94	24.00	1,152.94	40.02	647.04	687.06	59.59	50.53	415.36	1,152.94
1950-51*	1,163.21	17.19	1,180.40	40.02	624.70	664.72	56.31	57.21	458.47	1,180.40
1951-52*	1,189.84	27.78	1,217.62	40.02	625.27	665.29	54.64	63.98	488.36	1,217.62
1952-53*	1,114.84	27.87	1,142.72	40.02	664.40	704.42	62.89	80.22	458.08	1,142.72
1953-54*	1,133.95	23.03	1,156.97	40.02	694.02	734.04	64.80	92.83	430.11	1,156.97
1954-55*	1,196.19	22.98	1,219.18	40.02	648.81	688.83	56.58	102.26	428.09	1,220.18
1955-56*	1,339.39	17.08	1,356.47	40.02	656.52	696.54	51.35	108.87	553.06	1,356.47
1956-57*	1,475.77	18.75	1,494.52	44.42	545.61	590.03	39.95	115.61	755.22	1,494.52
Average of Fridays				(117.76)		(663.37)	(44.37)			
June 1957	1,567.48	29.03	1,596.51	117.76	412.52	530.28	33.28	125.17	941.06	1,596.51
July	1,527.79	34.84	1,562.62	117.76	406.52	524.28	33.55	127.54	910.81	1,562.62
August	1,495.65	30.71	1,526.37	117.76	369.52	487.28	31.92	131.22	907.87	1,526.37
September	1,477.66	36.41	1,514.07	117.76	338.60	456.36	30.14	133.82	923.89	1,514.07
October	1,487.74	26.43	1,514.17	117.76	317.92	435.68	28.78	133.92	944.57	1,514.17
November	1,481.61	32.86	1,514.47	117.76	293.14	410.90	27.13	134.22	969.35	1,514.47
December	1,598.32	14.69	1,613.01	117.76	278.95	396.71	25.28	132.76	993.53	1,598.32
January 1958	1,533.77	13.77	1,547.54	117.76	256.42	374.18	24.18	131.41	1,041.95	1,547.54
February	1,551.89	18.01	1,569.90	117.76	245.54	363.30	23.14	129.78	1,076.82	1,569.90
Week Ending 28-2-1958	1,545.26	25.06	1,570.32	117.76	245.54	363.30	23.12	130.20	1,070.82	1,570.32
7-3-1958	1,578.67	8.98	1,587.65	117.76	245.54	363.30	22.88	127.59	1,096.76	1,587.65
14-3-1958	1,578.26	9.81	1,588.07	117.76	245.54	363.30	22.81	127.81	1,096.76	1,588.07
21-3-1958	1,571.83	16.97	1,588.80	117.76	171.19	288.95	18.18	128.74	1,194.10	1,588.80

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS					Other Liabilities†	TOTAL LIABILITIES & ASSETS**						
	Central Government	Other Governments	Banks	Others	Total		Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad ‡	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
1938-39*	14.90	...	16.19	75	31.84	1.28	43.12	28.38	1.53	4.21	1.72	2	90
1948-49*	222.17	16.93	80.83	66.52	393.72	15.33	419.05	22.12	4.28	307.78	1.71	2.34	6.14
1949-50*	141.19	23.12	67.00	64.39	295.69	15.76	321.45	24.12	4.39	280.91	3.35	8.39	4.34
1950-51*	148.60	17.71	62.22	62.29	290.82	15.14	318.97	17.31	3.04	107.70	2.37	6.77	5.08
1951-52*	181.39	15.95	58.68	69.22	325.15	18.62	353.77	27.92	6.31	187.14	5.90	19.42	11.91
1952-53*	136.40	7.79	62.89	61.93	259.02	23.69	292.71	28.03	6.64	133.66	2.85	19.03	12.83
1953-54*	105.44	23.40	46.52	57.45	232.80	23.91	260.72	23.22	9.46	123.31	1.78	19.84	7.51
1954-55*	89.13	20.66	55.20	36.29	201.28	25.62	234.90	23.24	6.10	127.53	1.14	26.55	9.82
1955-56*	60.11	19.85	53.77	18.31	152.04	35.69	187.64	17.21	9.78	86.96	1.73	36.99	15.61
1956-57*	57.52	14.10	52.46	19.73	143.81	91.21	245.02	18.91	5.69	64.77	4.89	85.34	13.60
Average of Fridays													
June 1957	53.09	3.29	71.77	112.40	240.55	153.86	404.41	29.16	3.82	46.96	24.53	98.02	13.57
July	53.64	2.79	86.56	149.28	292.27	46.01	422.28	34.97	3.10	29.21	26.99	74.82	12.15
August	65.46	7.40	90.60	126.86	290.31	46.20	421.51	30.84	3.38	20.94	31.46	81.90	8.49
September	51.52	7.96	101.67	110.31	271.46	49.15	405.61	36.54	5.99	27.32	42.90	68.80	11.07
October	51.93	7.91	98.04	112.25	269.12	56.59	410.71	26.53	3.04	18.34	49.26	72.21	21.07
November	52.89	8.94	104.79	110.91	277.53	58.06	420.59	33.00	2.28	24.37	41.23	58.22	17.35
December	57.64	8.22	75.00	115.07	255.94	58.52	399.46	14.80	4.78	24.38	36.07	55.13	16.22
January 1958	54.97	21.36	68.29	114.01	259.22	72.24	416.46	13.88	2.83	31.49	35.40	68.03	16.67
February	54.24	17.59	73.50	113.24	258.56	73.15	416.71	18.12	2.49	33.76	39.20	68.03	16.04
Week Ending 28-2-1958	56.60	15.67	75.46	112.84	260.57	75.30	420.87	25.19	3.48	31.25	38.26	66.60	13.35
7-3-1958	53.46	9.85	77.40	113.28	253.99	73.04	412.03	9.05	8.39	33.48	43.91	74.30	13.62
14-3-1958	50.31	21.67	67.93	117.99	257.91	81.15	424.06	9.74	10.26	36.62	44.84	73.11	13.62
21-3-1958	49.71	77.58	67.89	118.87	314.05	84.05	483.10	17.10	10.29	103.00	24.20	74.56	13.70

* Average of Fridays. ** Includes (i) paid-up capital of Rs. 5 crores and (ii) reserve fund of Rs. 5 crores up to June 28, 1957 and of Rs. 80 crores from July 5, 1957. † Includes National Agricultural Credit (Long-term Operations) Fund of Rs. 15 crores from July 6, 1956 and of Rs. 20 crores from July 5, 1957 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 2 crores from July 5, 1957. ‡ Includes cash and short-term securities. Figures in brackets refer to Pakistan. NOTE: The Gold Reserve of Issue Dept. are revalued at Rs. 62.50 per tola from Oct. 6, 1956.

The Eastern Economist

VOL. XXX. NO. 15.

NEW DELHI: APRIL 11, 1958.

ONE RUPEE

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Confusion Worse Confounded

AFTER the Chagla report, confusion has reigned supreme on the subject of the responsibilities of the Civil Service in the Indian Union. Under the Plan, they are required to exhibit daring initiative; but any departure from rules is to be visited (at least if things go wrong) with grave displeasure. It is certainly appropriate that the Prime Minister, in his address at the annual meeting of the Indian Institute of Public Administration on April 5, should have dwelt particularly with the position of civil servants today. But both he and Mr. S. B. Bapat, who intervened to show that writers in the Journal of the Indian Institute of Public Administration supported the Prime Minister's view, have only made confusion worse confounded.

The Prime Minister argued that civil servants could not be "neutral". The word "neutral" itself raises difficulties of its own; it should not be used without definition. What does "neutrality" and "non-neutrality" mean in civil service work? Does it imply that the civil servant should not be critical of policy decisions at any time; that he should be "dynamically neutral" or assume a passive role? The analogy with neutrality in the foreign policy of sovereign States is misleading;

for one thing, a sovereign State is sovereign, while a civil servant is not. He is the servant of his Minister as well as of the Government as a whole. Therefore he has no sovereignty; the area of his freedom is also defined by general agreement. He cannot criticise the Government publicly, or, except in very limited terms, privately. And it cannot be doubted that he has the right to state his case critically to his Minister. What on earth then is the gravamen of the charge that he is too "neutral"?

Obviously the Prime Minister is dissatisfied with the absence of enthusiasm in the Civil Service for Congress Socialist policy. Why else should the charge have been made against the British Civil Service—and the ghost of Harold J. Laski invoked to indicate that the British Civil Service was not a perfect example for this country—that it obstructed a Labour Government in the pursuit of its policy after World War II? The Eastern Economist does not believe the judgment of Harold Laski in this matter any superior to that of Earl Attlee who has a different story to tell. There may be exceptions, but, by and large, the British civil servant is an excellent model to copy. He criticises with all the vigour

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that he can—but with no partisanship and political purpose—a Minister's policy until it finds its way on to the Statute-book. Thereafter, he uses all his energy to obtain implementation in terms of the framework which has been laid down. If the Prime Minister and the writers in the Indian Journal of Public Administration—Sir R. N. Pillai and Mr. S. Lall were specifically mentioned—wish to change the role of the civil servant from what might be called the 'British' type to some type unknown, they must define exactly what they mean by non-neutrality in the Civil Service. Sir Raghavan's observations published in the first issue of the Indian Journal of Public Administration from his Convocation address delivered at the University of Travancore on December 18, 1953, are certainly acceptable when he says: "Far from being a neutralist, the public servant of today, and still more of tomorrow should be one rich in science. To his work he must bring not only competence but faith and fervour and a mind, receptive as well as constructive, able to see beyond the immediate difficulties, the opportunities that lie ahead." But when was this canon of behaviour ever in doubt?

The Prime Minister when he refers to non-neutrality must be referring to the emotional integration of the Civil Service with Government policies. Nothing can be further from the nation's good than that a civil servant should allow his critical judgment to be reduced by emotional loyalty to his Minister or to a Party Government. Loyalty in the Civil Service is necessary, but it is, by definition, a limited thing; a civil servant may have to serve a Socialist Government today, and conceivably a Right-wing Government tomorrow. How then can he throw his whole being into acceptance of the Socialist pattern of society? Tomorrow will he be required to do likewise for a Capitalist philosophy? Such a position would be intolerable. What the civil servant is bound to do is loyally to work out any policy that is given to him. He must be detached, not in the sense that he is without feeling, but that he has at all times to retain objective assessment of the

Banishing the Bomb

RUSSIA has "unilaterally" decided to stop forthwith all test explosions of atom and hydrogen bombs. That its decision is motivated more by its propaganda value than by moral consideration is obvious: the precise timing of the decision cannot surely be altogether disregarded or ignored. The Russian pronouncement came after the completion of their extensive and accelerated series of tests in the last two months and just before the commencement of a series of tests already announced by the United States Government. It would not, thus, be wrong to say that Russia's self-denial, if reciprocated, will maintain and perpetuate its lead over the West in the production of thermonuclear weapons. This inference is reinforced by Mr. Khrushchev's rejection of Mr. Rajagopalachari's suggestion to Russia some two months ago—that is before Russia concluded its recent series of tests—to do exactly what it has decided to do now. Mr. Khrushchev had then asserted that "unilateral renunciation of nuclear weapons could not be risked because those Governments opposed to Russians will yield to temptation to take advantage of the consequently weakened defensive possibilities of the Soviet Union." This argument applies more in the case of the free world.

Moreover, Russia has not renounced the atomic tests; it has only suspended them—albeit

nation's interest which he must present to his Minister in the frankest and boldest way.

Everything that was said at the meeting of the Indian Institute of Public Administration on Saturday was calculated to create the impression that India wanted less opposition from her civil servants even in the discussion of policy and more emotional integration. This is the first step to political partisanship which, by common admission, is completely against the civil service code.

What has happened in many cases in the last few years has been a surrender of civil service independence in just this manner and it is, in this respect, that its deterioration has been greatest. One sincerely hopes that the Indian Institute of Public Administration, instead of signing meekly on the Prime Minister's dotted line implying that the civil servant must be emotionally integrated with Government policies will argue the need for the exercise of greater detachment and independence. The consequences of continuous accommodation to the policies or whims of Ministers can only be disastrous. For one thing, the mind which can change its outlook with every Government cannot be a robust mind. It will end in the Civil Services' attracting 'yes-men's on a scale fortunately not hitherto obtained. For another, policy will become even less rational and enduring than it is today. Policies to endure must be practical. This practical quality is moulded in the process of hard interchange of ideas between a Minister and his senior civil servants before the policy is framed. It is in this conflict of views, or what is frequently called cross-fertilisation of minds, that the relationship between senior civil servants and their Ministers is most fruitful in terms of the public good. It has been one of the great misfortunes of India that, after the departure of Sardar Vallabhbhai Patel, civil servants are losing their capacity to provide a seedbed for this cross-fertilisation. It is sincerely to be hoped that the Indian Institute of Public Administration will rethink its position and, as is now fashionable, hold another seminar to cross-fertilise many erring minds.

unilaterally. And even that suspension is conditional. Russia reserves the right to resume atomic tests if the Western powers fail to oblige by following its example. The Soviet Government has, therefore, purposely fixed neither a date when it would stop the atomic tests, nor set a deadline by which the Western powers should reciprocate. Its future course of action will depend precisely on the results of the proposed American thermonuclear tests. If Russia felt that the free world was about to achieve superiority, or even parity, it would surely rescind its present decision, in the interests of "the security of its people". And, if, on the other hand, the Americans fail to challenge its superiority in the thermonuclear field, Russia may even follow up its test ban by announcing, again unilaterally, the suspension of the production of nuclear weapons. Such a decision will not weaken its own or its empire's security. Mr. Khrushchev has gone on record saying that they already had sufficient stocks of nuclear weapons to blow up the world twice over. Mr. Dulles was, therefore, unmistakably correct when he remarked that the ban on nuclear tests should form a part of the basic settlement for the elimination of nuclear weapons from the arsenals of the nations. And Russia has significantly kept mum over this fundamental aspect of the question. It would, there-

April 11, 1958.

fore, be unwise to overestimate the significance of the Russian declaration and rest content merely with the suspension of test explosions.

On Mr. Gromyko's own admission, a nuclear ban will not remove the threat of an atomic war so long as the production of atomic and hydrogen bombs continues to add to the total potential of nuclear destruction. It may not, therefore, be unreasonable to demand from Russia further clarification of the method by which unauthorised experiments can be detected—a detail about which the Soviet Union has been naturally reticent—and how a penalty can be imposed on the power that violates the agreement. Without an agreement on these fundamentals it would be unwise on the part of the free nations to give up their collective and nuclear capacity to defend themselves against aggression. But when every allowance has been made for the possibility that the Soviet Union's unilateral suspension of nuclear tests is a tactical move, there remains in this decision an irreducible minimum of good sense that must be recognised for what it is worth and answered appropriately.

Russia has won another decisive round in the Cold War; the propaganda value of its present decision will be no less than its success with the first Sputnik. Where the West has shown hesitance, the Soviet Union has boldly gone forward.

The Development Rebate

THE conditions for the grant and utilisation of the development rebate have been so severely tightened up in the Finance Bill, 1958, that they can hardly prevent great hardship being caused to company managements in the difficult task of finding finance for development—a task which is becoming increasingly difficult in recent years. It is not in the least conceivable that this result was intended by the Finance Minister. But even if it was not intended, the potential of the restrictive conditions for causing mischief could have been foreseen, if the consequences of the new restrictions contained in Clauses 7 and 10 of the Bill had been fully weighed. The sole reason assigned for imposing rigid conditions on the development rebate is that "some instances of abuse of this concession have come to notice". It is no doubt a laudable objective to ensure that the rebate should not be frittered away. But as the italicised quotation from the Finance Minister's speech unquestionably implies, the rebate was not frittered away in the average case. There can be no valid objection to the tightening of the law to stop abuse of its liberal fiscal provisions. But unfortunately a facile tendency has been allowed to develop in recent years to penalise an entire class of assessee for the default of stray individuals. Compulsory deposit of company reserves rested on the assumption of speculative use of funds. But within one year of its imposition it has been rightly suspended, presumably to be abandoned eventually. It is highly desirable, therefore, that, while the Finance Bill is still on the legislative anvil, the rigid restrictions on the development rebate should be withdrawn or at least substantially modified.

The substantive provision in this behalf is Clause 7 which lays down that the amount of the development rebate should be debited to the profit and loss account and credited to a special reserve account which must be utilised within ten years for the acquisition of assets for the purpose of

the enterprise or for investment in the enterprise. In addition, it stipulates that the asset—ship, machinery or plant—in respect of which the rebate is granted must not be sold or transferred in any other manner by the assessee to any person except the Government at any time within ten years from the end of the year in which the ship was launched or the machinery or plant was installed. Clause 10 is the penal clause which prescribes the penalty of withdrawal of the rebate and re-assessment of tax on the total income in case of non-compliance with the conditions specified in Clause 7. *Prima facie* these conditions appear reasonable, calculated to safeguard proper utilisation of the rebate. In reality they are not so. A close scrutiny cannot fail to disclose how they introduce inflexibility in the employment of funds and threaten to produce deterrent effects on investment in modernisation or expansion.

The genesis of the development rebate, introduced in the Finance Act, 1955, is to be traced to relief against the high cost of assets either by way of replacement or new installation. This is essentially the same as the problem posed in the post-war period in all other countries. The development rebate takes the form of a special taxation allowance for the year of installation of the asset. It is significant, and needs to be underscored, that this rebate is not to be deducted in computing the written-down value of the asset in determining the depreciation allowance for future years. It should, therefore, be clear that it takes the form of a special relief in respect of development which has already taken place. It is earned when the development outlay is actually incurred. The new restrictions on the use of the development rebate seek to change this original conception on which it rests and aim at linking it with outlay on future development or investment requirements of the enterprise.

The consequences of this shift must not be treated lightly since they are likely to be far-reaching in many, if not all, cases where the rebate is earned. In certain cases debenture contracts require investments of part of profits in another business or enterprise to facilitate redemption. In most cases the profit margin may not be sufficient to cover appropriations both to the debenture sinking fund as well as the special reserve account to be created out of the development rebate. In that event dividends may have to be reduced. Their repercussions on stock exchange quotations may affect individual shareholders no less than the companies in question. The prospect of postponement of return on investment for expansion, by reason of the clog on the rebate, may operate as a disincentive to shareholders whose consent is asked for it. It is likely that a foreign collaborator in a projected joint

enterprise who would be ready to offer his share of the capital in the form of plant and machinery may react in the same manner.

Most of the memoranda tendered to the Finance Ministry in the past few days on this subject dilate at length on the possible hardships of these restrictions. The virtual ban on transfer of assets also bans obsolescence. The appropriate remedy would be in providing a wide latitude for sales or transfers as in normal company management. The restraint on the use of the rebate needs to be withdrawn totally, leaving it to the inherent prudence and sound judgment of the entrepreneur to deal with it in a fair and reasonable manner. If, however, statutory restriction is deemed imperative, it should be limited to the actual saving of tax secured by the grant of the development rebate.

Problems for Sugar

THE sugar industry set up a new record in the last season in sharp contrast to the overall modest performance of the organised industrial sector in 1957. Production of factory sugar at 20.26 lakh tons attained a new peak in the history of the sugar industry in India. What is more encouraging is the fact that within the short span of four years output more than doubled. From a level of production of 10.01 lakh tons in 1953-54, it rose to 15.90 lakh tons in 1954-55, 18.62 lakh tons in 1955-56 and 20.26 lakh tons in 1956-57. This is indeed a re-assuring performance in an industry which lies entirely in the private sector. And all this has been made possible by intensive utilisation of the available capacity of the existing units and not by setting up new units.

The supply of sugar being quite sufficient to satisfy the domestic demand, an attempt was made last year to explore the external markets. The Indian Sugar Mills Association succeeded in exporting 1,53,000 tons earning, thus, more than Rs. 12 crores of foreign exchange. These exports were made mainly to our neighbouring countries such as China, Burma, Malaya, Iraq, Sudan, East Africa, and so forth. The industry is confident, in view of the easy supply position, that it will not be difficult to export about 3,00,000 tons this year. There is a big market for Indian sugar in the neighbouring countries which import nearly 10 per cent of the total world exports. The export of sugar, it seems, needs to be put on a permanent footing.

The second Plan envisages an expansion in the capacity as well as production of the industry to 25 lakh tons by 1960-61. This target has been fixed for the organised sector of the industry. It cannot be argued by any stretch of reasoning that this target is ambitious. Licensing policy has already proceeded a good deal to facilitate the achievement of this capacity, but expansion of new units has been delayed for various reasons. One snag in this target is that it does not take into account the rapid expansion in the production of Khandasari sugar which will steal a march over factory sugar in the domestic market. It is thus clear that the additional capacity which is being laid during the Plan period will need a suitable market to absorb it. That market can possibly be found abroad. The case of finding a market abroad is strengthened by the prospect of earning foreign exchange. There should be no hesitation in devising ways and means to step up our foreign exchange earnings via sugar exports; even if a

deliberate policy of support by means of subsidy will have to be adopted. A firm beginning in establishing a permanent export market, if made at this time, will enable this country to plan before and for the disposal of the additional output which will come under the expanding capacity.

The only stumbling block in our path is the high price of our sugar in relation to the falling world prices. We cannot enter the international market without incurring losses. A scheme needs to be devised whereby good quality sugar of some units may be earmarked for the external markets and some suitable way devised to compensate them for the losses that they may have to bear.

There are two ways in which this object can be achieved. In the first place, the exports of sugar may be subsidised by allowing a rise of nearly Rs. 2 per maund in the domestic market. A rise of this order may easily be absorbed in view of the expansion in purchasing power that is taking place under the impact of the second Five-Year Plan. The other course open is to reduce the cost by withdrawing the cess on cane in which case the loss of revenue to the State Governments may have to be compensated. The *Eastern Economist* believes that the second alternative is the better of the two because the first alternative may go to enhance the burden of the middle-classes which are already bearing a very high proportion of the indirect taxes.

The problem of the high price of sugar has been engaging the attention of the industry for a long time. Mr. B. S. Sawhney, President of the I.S.M.A., drew pointed attention to the rapid change in the price structure of the industry in his annual presidential address at Calcutta. He pointed out that during the last decade, sugar prices had risen by 63 per cent. The major factor responsible for this rise was the high rate of Government taxes which had risen by 344 per cent. While salaries and wages rose by 62 per cent, manufacturing charges by 36 per cent and cane prices by 14 per cent, there was a net fall of 17 per cent in the overhead charges and gross profit. It was obvious, therefore, that the price of sugar could not be lowered unless the tax burden was reduced. There seems to be no possibility of reducing costs under other heads.

The sugar industry, which is one of the most heavily taxed industries in the country, needs, therefore, immediate relief for lowering the level of price to impart competitive strength to it.

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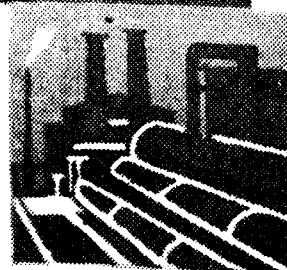
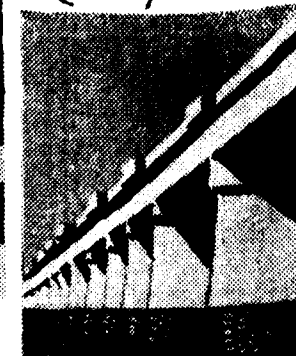
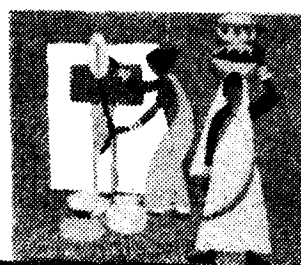
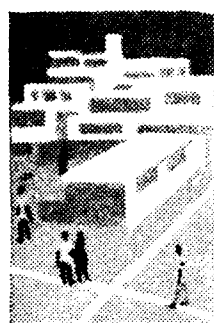
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THE WEEK'S NOTES

ANOTHER CULT OF PERSONALITY?

PUBLIC MEMORY is not sometimes so short as the adage would convey. It was just two years ago Mr. Khrushchev, in his sensational expose of Stalin's crimes, bitterly attacked the "cult of personality" so sedulously cultivated in the Soviet Union under the late dictator's inspiration or with his active connivance. That it suited his ultimate purpose, in the era of "collective leadership", to debunk the "personality cult" could be inferred only in retrospect as further scenes in the continuing drama are unfolding themselves. Now Mr. Khrushchev, in his dual capacity as First Secretary of the Communist Party and as Prime Minister of the U.S.S.R., has become the supreme ruler of a country even more powerful than in Stalin's days. Can it be honestly said that a ruler wielding such absolute power as Mr. Khrushchev does, needs no deification of his own personality? It is almost a law of nature that he does.

So the beginnings of another "cult of personality", this time investing Mr. Khrushchev with an effulgent halo, are already visible. Such adulatory epithets as were showered on the new Soviet Prime Minister by Marshal Voroshilov in his nomination speech probably constitute only a modest beginning. Samples: "that outstanding personality and famous son", "indefatigable"; "staunch", "man of principle"; "gifted with unusual creative talent and inexhaustible energy and initiative". Surely obsequiousness, it may be thought, can go no farther, but in a people long conditioned by Stalin to hero-worship, it may. Mr. Khrushchev may well thank the late unlamented Stalin for what he is now — a demigod. For, can there be a demigod without worshippers?

PLANNING FOR PATIENT PEOPLE

IF STALIN'S ascent to supreme power in the late twenties heralded the first Five-Year Plan in Russia, Khrushchev's in the late fifties now may soon be heralding a vastly more ambitious, and probably more exacting, long-term plan. The central objective of such a plan — its first phase covering 1959-65 — is to double or treble the output of key industries in the next 15 years. Some of its targets are stated to be 650-750 million tons of coal, 350-400 million tons of oil and 270-320 billion cubic metres of natural and manufactured gas. As a result of this development, it is expected, the share of oil and gas in the country's fuel structure will go up to 63 per cent from the present 20 per cent. Another noteworthy objective of the draft plan is to switch 80 to 85 per cent of the country's railway freightage to electric and diesel traction by 1965. The switchover is to be completed by 1970 and this, it is estimated, will increase the carrying capacity of the existing railways by 50 to 100 per cent and save a lot of fuel and energy. The housing shortage, however, will not have been eliminated in less than 10 to 12 years' time, and the demand for footwear and textiles will not also have been met fully in less than five to seven years' time.

It would thus appear that heavy industries will continue to be accorded the highest priority. Science will continue to receive generous allocations: the proposed scientific centre of the Siberian Division of the Academy of Sciences of the U.S.S.R. will alone involve an outlay of one billion roubles (about 120 crores of rupees). In a regional sense, the accent will be on the large-scale development of key industries, transport facilities by way of new roads and railways and of virgin land in Asiatic Russia. All this long-term development now proposed is generally on the lines forecast by

competent observers in Europe and in the United States. As the broad outlines of what is being drafted are authoritatively given by the Soviet Planning Chief, one is amazed at the infinite capacity of Soviet people to wait patiently for the long-denied consumer goods and at the self-confidence of their rulers who can still make them wait.

CRUSADE AGAINST CASTE

"CASTE IS the most important problem that confronts the people of India today." Thus begins the Indian Rationalist Association's "manifesto demanding legislation to abolish caste". It is natural for any body of men dedicated to some cause to believe, in their exuberance, that theirs is more important than any other. Without detracting from the admirable spirit of dedication behind the Rationalists' crusade, one not so fanatically wedded to any cause may well point out a whole multitude of problems of equal importance confronting the Indian people. He is no synic who would say that everybody is in a hurry to get this or that, to liquidate this or that. The only body of men who are in no very great hurry are the Communists who plod on patiently for they know "they have a world to win" and 'a world' cannot be won in a day.

The impatience of Indian Rationalists is, however, not to be derided for their aims are wholly laudable in spite of their logic being not always impeccable. In one place they say that "it is the erection of caste into a religious dogma of what once was a mere colour prejudice that gives caste its present strength and resilience, its ability to survive the ravages of time, to withstand the onslaughts of political and economic revolutions" and that "while its outward manifestations change, its inner core remains for ever". The Rationalists thus have no illusions about the nature of the enemy they contend against — an enemy with an infinite capacity for survival. In another place they say that caste and caste rule will disappear if the villages are urbanised and "the country is transformed into a vast garden city worked by the power of modern science and technology".

If industrialisation and urbanisation hold the key to this problem and may be expected to bring about a silent and spontaneous social revolution doing away with "caste" in the process, it is not clear why the Rationalists contradict themselves by saying that a social revolution must be deliberately engineered because, in their view, "caste is too deeply entrenched in the lives of the people". The "social revolution" they visualise is no less frightening than the one Marx visualised in his famous Communist Manifesto of 1848. What this "Social revolution" will involve is better described in the Rationalists' own words: "The uprooting of caste involves the uprooting and the transplantation of every individual family in the country.... Any such revolution entails heavy sacrifices..... Revolutions are in the nature of wars and in war we cannot count the cost." This cost, of course, is to be non-violently paid because "there will be no shedding of blood" here. There will, instead, be weeping and gnashing of teeth perhaps! The Rationalists would need to remove a possible fear that a social revolution of their conception may pave the way for Communism whose onward march today, according to some, is largely blocked by the Hindu system of social and family organisation.

BENGAL BUSINESSMAN'S VIEWS

IN AN address, at once refreshing and analytical, the President of the Bharat Chamber of Commerce, Mr.

Kishorilal Dhandhanian, has spoken of the demands and problems of the society and the economy. The address, delivered at the Annual General Meeting of the Chamber held on March 31 last, is throughout frank, and covers many important spheres of the country's day-to-day life. It has been made out that the acceleration in capital investment and the rate of industrial growth have levelled off. In percentage terms, the rate of industrial growth in 1957 was some 3 per cent against as much as 9 per cent in 1956 and an annual average of over 7½ per cent over the last five years. (This is discussed in greater detail elsewhere in this issue under "Business Notes"). If the figures are final, then they indicate a very discouraging trend. Thus, the fundamental problem of development is being tackled less than adequately. It must be recognised that, because of the high pressure of population increase, the country needs to run faster and faster if only to keep to the same place, whether it be in production per head of population, standard of living, or employment.

Progress depends on investment which demands savings and capital accumulation. It is here that the planners and administrators need to be more imaginative in laying down policies. As the President of the Chamber has admitted, there is hardly any dispute over the basic features of the new social and economic conceptions that are taking shape. At the same time there should be no dispute also over the basic requirements of development in the particular type of a mixed economy that India has chosen. Mr. Dhandhanian has ably pleaded for a rethinking on this vital issue in order that incentives for a higher rate of development may not be denied. In point of fact, he has only used with good effect the arguments put forth from time to time by informed quarters with a proper understanding of the present-day needs. One point that has been stressed with parallels drawn with China is in regard to the need for higher taxation in the agricultural sector. This, however, is a matter requiring deeper investigation into its full implications.

The Chamber Chairman has also given a detailed account of the problems facing the State of West Bengal where its constituents' activities are largely centred. Nobody would probably disagree that if better results are to be achieved, what is needed urgently is much more co-ordination than at present exists in, for example, the setting up of small-scale industries and making available raw materials to them. What with the recession threatening in the U.S.A. and the coming of the Common Market, which will adversely affect the State's major industries like jute and tea, and the traditions and aptitudes of the population, there is a good case for the promotion of small-scale industries in West Bengal.

AN IRRITATING ADVICE?

PRIME MINISTER NEHRU'S advice the other day to the Civil Service was rather unfortunate and, in effect, calculated to irritate rather than "convert" a team of men from their alleged "ivory tower attitude of neutrality". The advice was all the more unfortunate where it urged the civil servant to cultivate the "capacity to co-operate with the public" because instances were not wanting of popular civilians, especially at the level of district administration, to whom the Congress bosses would not take kindly for no other reason than that they were "rivals" to them (Congressmen) in the matter of publicity and popularity. Where the Congress leaders wanted their "good offices" to be used by civilians for co-operating or dealing with the public, the results could not have been always happy for such of those civilians as were thereby prevented from having a direct living touch with the people. An "ivory tower attitude" with an admixture of bitterness on the part of some civilians should have probably

resulted from the Congressmen's constant interference in the discharge of their administrative duties.

In fairness to the Civil Service which was one of the most valuable legacies inherited by Independent India, it must be stated that its members, by and large, were well aware of the demands of a planned economy and a welfare State and capable enough to do development planning. After all, the amount of planning done by some very competent members of that service, the development schemes designed by them and the project reports assembled by them for irrigation and power development came in handy for the Planning Commission which appropriated (or misappropriated?) all the credit. If the morale of such a competent Service came to be undermined in some measure, it was almost entirely due to a certain attitude and a certain practice adopted by Congress Ministers.

The attitude was one of suspicion towards a Service which was mistakenly supposed to be lacking in loyalty to an altogether new Government. The practice was one of promotion of junior and younger members who were supposed, again mistakenly, to be capable of a better spirit of accommodation to Ministerial will, over the heads of senior members of that Service in many cases. This attitude and this approach were hardly calculated to keep up the enthusiasm of many a senior and experienced Civilian from whom the younger and inexperienced Civilian could well have learnt a lot. After all, administrative experience acquired by Civilians in India was always in the context of government-sponsored development and social service activities. This experience should have been taken as an invaluable asset to Independent India which, after all, was only trying to expand those activities 'pari passu' with the growth of population.

MORE CANADIAN WHEAT FOR INDIA

THE PRIME MINISTER of Canada announced in Ottawa on March 28 that \$8 million of Canadian wheat has been offered to India. This grant is part of a \$15 million programme of wheat and flour shipments to India, Ceylon and Pakistan, over and above Canada's Colombo Plan programme. In November 1957, it may be recalled Canada made an allocation of \$7 million of wheat to India under the Colombo Plan. Also, on February 20, 1958, Canada and India signed an agreement under which Canada will provide a loan of \$25 million to India to finance the purchase of 400,000 tons of Canadian wheat.

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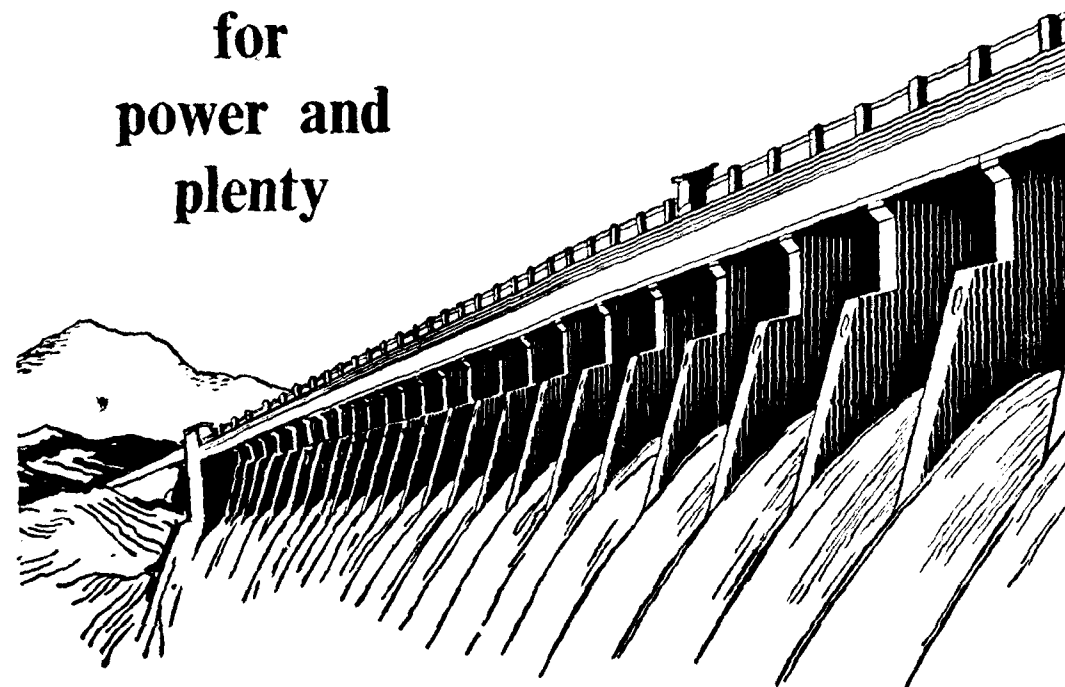
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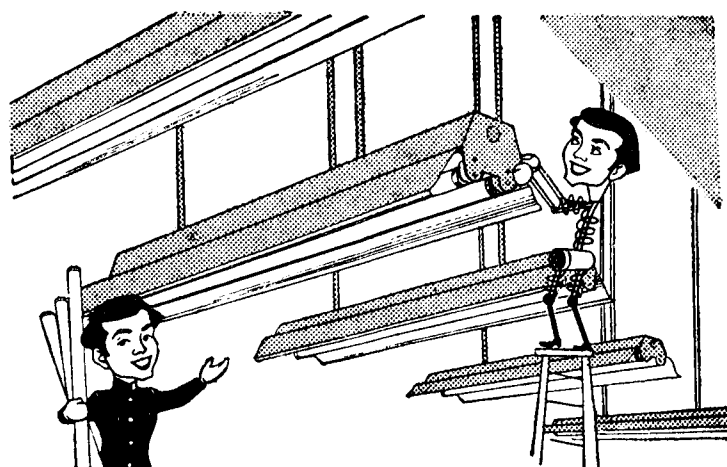


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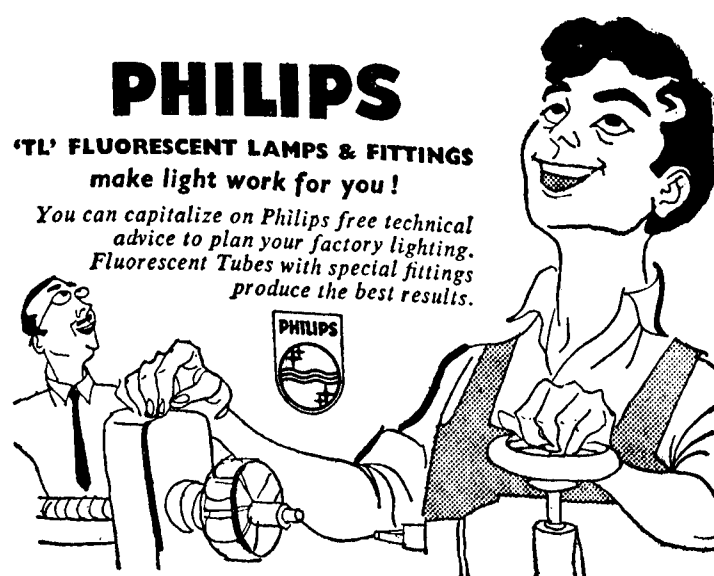
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A Window on the World

FREE TRADE, PROSPERITY AND DEPRESSION

By
ODYSSEUS

MY TOUR of economic investigation in Scotland has given me a wonderful new glimpse of the obvious: namely, how useful it is for people, like me, (who spend most of their time reading newspapers, economic publications, government and other reports, in the effort to understand, and keep abreast with, national and international economic events) to be compelled to verify the conclusions that we draw from our paper studies by periodical on-the-spot investigations in factories and works, in order to get a first hand impression of what the men who are actually engaged in the economic process are doing and thinking. For it is the deeds and thoughts of workers and industrial leaders which ultimately produce the statistics and the trend reports which we are all so busy trying to interpret in our newspaper offices.

Now, one of the discoveries of my tour of Scottish industry was the overwhelming feeling in favour of British co-operation by one means or another with the European Common Market.

It may be, as my distinguished and learned colleague, our Special West European Correspondent reported here on March 14, that the British proposals for the Free Trade Area have been killed and buried by the French. But it is equally true that industrialists and business executives in a wide variety of Scottish industry — who may be regarded as representative of UK industry as a whole — feel that the French should not be allowed to dispose of the body and get away with the murder. They argue that it does not matter whether this or that particular scheme for reducing the barriers to European trade is dropped, provided that an alternative is worked out.

The reason for this urgent desire to enlarge UK economic co-operation with Europe springs from the assumption that the present decade of astonishing Western prosperity can only be maintained by abolishing tariffs, quotas, and other restrictions on international trade. In 1956, twenty-eight per cent of UK exports, valued at £899 millions, went to the countries which are members of the Organisation for European Economic Co-operation (OEEC). In addition, whereas the value of the imports of the sterling area (excluding the UK) rose by 9 per cent between 1952 and 1956, the value of imports into the six European Common Market countries alone rose by 47 per cent in the same period, compared with 22 per cent for the whole world and 24 per cent for North America.

UK READY FOR FOREIGN COMPETITION

These figures may provoke cynics (who are to be found packed more tightly to the square metre in France than in any other country) to observe that, of course, the UK's sole motive for participation in any Free Trade Area scheme is the fear of loss of markets if she abstains. Certainly, there is an element of truth in this, but it is far from being the whole truth, because it is a fact — as was testified to me by some of the most influential industrialists in Scotland, whose firms bear world-famous names — that British industry is ready to see European manufactures compete freely in the domestic market. The only serious fears were expressed by textile industries, but then I heard, in the course of my recent tour of Holland, Germany, Switzerland, and France, the same fears of free trade expressed by continental textile industries.

One of the differences between the continental European and the British attitude towards the ECM and FTA schemes that struck me was the efforts made by every kind of British institution — Chambers of Commerce, the FBI, the TUC, Chatham House, professional institutions like the Chartered Institute of Secretaries, Accountants, etc. — to educate their many and various public opinions in the implications of the proposals, whereas I found no comparable attempt being made in Europe. Note also that the overwhelming majority of all these institutions and bodies has come out in favour of the FTA whose opponents form a minority, discredited, disconsolate, and tiny. The literature on the subject has become so voluminous that the modest selection in my possession occupies five feet of my library shelf space.

All this has sent people delving back into economic history and a revolution in informed opinion has followed. Andrew Shonfield, economic editor of the (London) "Observer" summarised this in an important talk, "The New Pattern of British Trade," published in "The Listener" of January 23, 1958.

Mr. Shonfield says that three facts stand out in the prosperity of the West in the 1950's: (1) the growth of production over the period as a whole has depended neither on preparation for war nor on the repair of war damage. (2) Prosperity has rested on the trade between the industrial countries. Those countries which mainly produce food and raw materials have benefited by it but have not been responsible for it. (3) The forward movement has been maintained by the deliberate policy of the industrial countries to pursue freer trade. This together with the greater opportunities for trade during an era of rapid technological advance, has been, not only in Mr. Shonfield's view, but in that of most informed UK opinion, the secret of European prosperity. The 1950's are comparable with the years 1850 to 1860, another period of rapid technological advance which served to propagate the English Victorian ideal of free trade. One after another the nations of Western Europe copied the commercial policy of the world's most successful industrial power. The widespread lowering of barriers which followed was based on the assumption that economic advance would continue, and so it did, with a wonderful spill-over of prosperity to all participants until the 1880's, when a retreat to tariff protection began.

For half a century, the UK held to free trade in the face of growing French and German protection. It took the depression of the 1930's to kill the free trade ideal. The UK, from the Ottawa Conference of 1932 onwards, built up a successful worldwide system of protection, and the "Commonwealth" outlook became deeply ingrained in British thinking, among Conservatives and Labour alike. It was the labour government which buttressed imperial preference with long-term bulk buying after World War II. In the 1940's, exports to the Commonwealth totalled more than 50 per cent of UK exports.

DEPRESSION LEADS TO PROTECTION

Few read history. Which is why most people think that currently held beliefs are as unchanging and unchangeable as the Himalayas. Thus did the average Briton come to believe that imperial preference and

the preponderating importance of the Commonwealth Connexion in UK trade policy was part of the natural order. The European Common Market scheme was not thought up in the UK but in Europe, particularly in France, and there is some irony in the fact that it is the European proponents of the ECM who, by prompting widespread study in the UK of their scheme, have led informed UK opinion to discover that, historically, the traditional pattern of British trade is not, as popularly believed since 1932, with the Commonwealth but, at any rate in periods of prosperity and when markets are open, with Western Europe and North America. Back in the 1850's, UK exports to Europe were usually larger than those to the then Empire. In the boom of the 1870's over one-third of UK exports were to Europe and only one quarter to the Empire. It was the depression of the 1880's which turned UK exporters to distant markets, just as it was the depression of the 1930's which finally killed the free trade ideal in the UK and led the retreat to Ottawa. Thus the lesson that the proponents of the ECM have forced on UK industrialists and economists is that imperial preference and protection, far from being part of the natural order, are essentially defensive policies — that are not necessary when world trade prospers.

It is relevant to note also that, by and large, the countries of the Commonwealth are today more interested in buying in the cheapest markets (which often means Europe and the USA) and selling in the dearest (which often means the same continents) than they are in maintaining imperial preference. And as the 1950's rolled on, it was increasingly demonstrated that the really vigorously expanding area of world trade was not the sterling Commonwealth but the industrial countries of Europe. The proposal to join the ECM was the turning point in the evolution of British ideas. It is now seen in the UK not as a reversal of British policy but a reversion to an older traditional policy.

The British press largely shares Our Special West European Correspondent's forebodings at the apparent deadlock reached between the British and the French in the FTA negotiations. It was, therefore, all the more interesting to me to find that most Scottish business executives take the view that the repercussions of a final breakdown would be too serious to contemplate. If, for example, the UK were to contract out of the European Payments Union — Switzerland has already refused to agree to its renewal beyond this year — one of the foundations for European trade would be demolished, and with it also the OEEC, another of the foundations. The political divisions that would follow much gashes in European unity could easily spread to NATO, which is the foundation of European political security. This threat to NATO would spring not merely from possible Franco-British-German soreness but because Greece and Turkey, for example, look forward to the FTA as an important means of developing their backward economies.

All this would spell the end of the West's golden decade of prosperity and precipitate the present uncertainly hovering recession into a depression, which would start a retreat towards Protectionism everywhere, which would, in turn, slow to a snail's pace economic advance, as it did in the 1880's and the 1930's.

In the face of these and other dire possibilities, business opinion in Scotland, which may be taken as representative of the UK, is convinced that Mr. Macmillan, Dr. Adenauer and the French Premier will, if necessary, meet in a summit conference to prevent the worst. Such is the state of opinion in the UK that it is also true that failure to devise an alternative scheme for UK participation in an FTA would constitute a blow to the hopes of the Conservative party for re-election and would give Mr. Gaitskell and his Merry Men a wonderful electoral opportunity.

WEST GERMANY'S FOREIGN INVESTMENTS

(From Our Special West European Correspondent)

PARIS, April 5.

THE much discussed question of West Germany's inadequate foreign investment has been to the fore again since Dr. Ludwig Erhard's visit to Washington at the end of last month, when President Eisenhower is reported to have asked the German Economy Minister to increase German investments in the under-developed countries. No doubt the President put the request more politely than the American Press which, throughout Dr. Erhard's visit, accused the Germans of not doing their bit, being passengers in the free world, etc., etc. The Germans have a fairly convincing reply to this sort of attack; it was outlined by another correspondent in this journal on Jan. 10 ("Germany's Capital Scarcity and India's Plans"). Since January, however, the situation has begun to change and there are signs that West Germany is becoming more interested in and more capable of investing capital abroad. The required economic conditions having been created, suitable American pressure might now have some effect in stimulating the export of German capital; this was the sense of Dr. Erhard's talks with Messrs. Eisenhower, Dulles and Douglas Dillon.

The German Government is naturally resentful of the accusation that the country has lots of investible capital which it refuses to place abroad because of indifference, canniness or political prejudice. Up to last autumn this accusation used to be met with the argument that Germany was in fact capital-poor and that her substantial currency balances were not convertible into loan capital. Since the autumn, however, there has been added to this the further reply that in fact West Germany is beginning to place funds abroad, and the following examples can be adduced in support.

Firstly, there was the German contribution to the EPU loan to France, which, combined with the much larger American loan, served to avoid France's external bankruptcy. The German contribution was not great but showed considerable goodwill (especially since part of the German Press described it as a subsidy for the Algerian war.)

Secondly there were the short-term loans offered by the big German banks to the Dutch and Belgian Governments during the winter. Since last October the purchase of short-term foreign securities has been possible for German banks without prior authorisation, and the banks have lost no time in taking advantage of this. The Dresder Bank bought the equivalent of 25 million Swiss francs' worth of 12-month securities from the Belgian Government, the Deutsche Bank took up 200 million florins' worth of Dutch treasury bills with a life of one year, and a consortium headed by the Deutsche Bank took 200 million DM worth of 15-month Belgian treasury bills. This sudden and very lively interest in short-term foreign lending showed that, whatever the difficulties in the long-term and that, above all in the perpetual capital market, the German money market had become less attractive than the foreign. It should be noted however that the borrowers, either openly or tacitly, accepted the full risks of exchange revaluations on these loans.

Thirdly, it was announced last week that a group of Ruhr steel companies had bought one-tenth of the capital in Miferma, the French-led international combine that is to exploit the iron ore deposits at Fort Gouraud, in the western Sahara. The German participation is still smaller than the Italian (15 per cent) and the British (20 per cent); the French retain a

majority shareholding. Further capital is being sought from the World Bank. This marks a notable German contribution to an important international investment project.

Fourthly, the Kreditsanstalt für Wiederaufbau (an official agency) has issued 250 million DM of obligations in the West German market, the proceeds of which are to assist the financing of the Rourkela steel plant in India and certain investments in South Italy. This is significant as suggesting that the Bonn Government may not limit itself to encouraging private investment indirectly but might take a direct hand in collecting funds to be placed abroad.

Lastly, the healthier state of the West German capital market was illustrated when the Petrofina company (an oil firm) was able to float a successful issue among the German public.

Thus by various channels, various sorts of German capital are at last beginning to move abroad more freely. The movement will have to gather a lot more momentum before it can be represented as a significant contribution to the stability of the world money market or to the development of backward areas. At the end of 1957 German investments abroad, in all parts of the world, totalled in value only 2,000 million DM, against 35,000 million DM (present-day value) just before the 1914 war. But the rate of annual investment abroad is rising and 1958 promises to be a better year than the previous two, which already showed sharp improvement. The following table shows West German investments abroad since Feb. 1, 1952, the date when such investments were once again authorised:

(In millions of DM)

1952-53	..	..	156
1954	..	..	180
1955	..	..	380
1956	..	..	527
1957	..	..	496

West Europe and Latin America attract most West German loan capital; Asia and Africa get only a modest share. The following table shows the distribution of German capital abroad at the end of last year:

(In millions of DM)

Europe	..	..	596
Latin America	..	..	514
Canada	..	..	224
United States	..	..	184
Africa	..	..	93
Asia	..	..	76
Australia	..	..	51

The reasons for the recent increase in German lending are not far to seek. The national income has continued to rise; having more than doubled between 1950 and 1957, it is now higher than most other countries in Europe. Out of this rising revenue a slightly larger proportion is now being saved; 8.4 per cent of private incomes was saved in 1957 against 6 per cent in 1956. This greater supply of savings has coincided with a decline in domestic investment needs. After a period of immense effort during which 21 per cent of the gross national product was ploughed back in reconstruction and re-equipment, West German industry has now completed the main part of its task. Thus in 1957 for the first time since the currency reform, industrial investment outlays (evaluated in constant prices) declined slightly. Similarly in housing, the

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before May 17, 1958 to the Indian Standards Institution, Manak Bhavan, 9, Mathura Road, New Delhi.

TRADE

Rupee Payment Agreement Between S.T.C. and Czech Foreign Trade Corporations: Letters have been exchanged in New Delhi between Shri D. Sandilya, Managing Director, State Trading Corporation of India, and Mr. V. Novacek, representing the Czechoslovak Foreign Trade Corporations, with the object of promoting import and export trade between India and Czechoslovakia. Payments for imports from Czechoslovakia will be made in Indian rupees and the money credited to a special account to be opened by the State Bank of India or any other commercial bank in India. The money in the special account will be utilized by the Czechoslovak Foreign Trade Corporations for the purchase of specific Indian goods mutually agreed upon.

Import of Newsprint by Actual Users: It has been announced, in an Import Trade Control Public Notice, that actual user applications for import of newsprint will be considered by the Office of the Chief Controller of Imports and Exports, Udyog Bhavan, New Delhi, instead of the licensing authorities at the ports. This has been done to ensure that actual user applications for newsprint are dealt with expeditiously. Actual users should, therefore, send their applications for import of newsprint in the prescribed form and manner to the Chief Controller's Office in New Delhi.

Schedules to Indo-Polish Trade Agreement Extended: Letters were exchanged in New Delhi recently between Shri D. Sandilya, Joint Secretary, Ministry of Commerce and Industry, and Mr. J. Drobot, Commercial Counsellor, Polish People's Republic, extending the schedules to the Indo-Polish Trade Agreement for a further period of one year ending December 31, 1958, without any modification. The Trade Agreement was signed on April 3, 1956. Among the important items for import into India from Poland are machinery of all kinds, rolled steel products, electrical instruments, diesel engines, agricultural implements and instruments, railway locomotives, newsprint, optical and medical instruments, chemicals, drugs and medicines. The main items of export from India to Poland are iron and manganese ores, mica, shellac, tea, coffee, spices, tobacco, cashew nuts and oils and hides and skins (tanned). The trade between the two countries has been on the increase since the signing of the Agreement. The exports to Poland during the first nine months of 1957 amounted to Rs. 105 lakhs and imports to Rs. 434 lakhs.

FINANCE

Rockefeller Foundation Grants: The Rockefeller Foundation gave the following grants to medical colleges in 1957-58: Calcutta School of Tropical Medicine, Calcutta, \$25,000 for purchase of specialised research equipment to continue research studies in the School; Christian Medical College, Vellore, \$3,161 for the continued development of a hospital record system; and Christian Medical College, Ludhiana, \$6,235 for use by the Department of Preventive Medicine towards promotion of teaching and investigation, with emphasis on the application of health education techniques to the problems of environmental sanitation.

Uniform Rates of Sales Tax in States: A list of certain special goods on which the State Governments had agreed in principle to levy sales tax on a uniform rate was placed on the Table of the Lok Sabha recently by the Deputy Minister of Finance, Shri B. R.

Bhagat. Replying to a question by Shri S. M. Bannerji and Shri Tangamani in the Lok Sabha, he said that the rate of tax would be 7 per cent and would be levied at a single point to be selected by the State. Any State which now levied a higher rate than 7 per cent would be free to retain it.

GENERAL

National Small Industries Congress: The Congress comprises most of the leading Small & Cottage Scale manufacturers in the country. With the establishment of this Congress there came to exist in the Small & Cottage industry a voluntary organisation capable of exerting influence in any direction deemed necessary. Standardisation, maintenance of quality, drawing up of fair conditions of sale, promoting research and development, adopting the standards set by the Indian Standards Institution and developing the export trade, to mention a few only, are some of the fields in which any unanimity of decision is arrived at and given effect to through mutual discussions and voluntary co-operation.

The Congress is recognised by the Central and State Governments and by purchasers and users of equipments as representing the core of indigenous manufacturers of Small & Cottage Industries equipment. The main objects of the Congress are:

- 1) To constitute and maintain a Central National Organization for co-operation between all those engaged as manufacturers in Small and Cottage Industries and allied industries.
- 2) To further mutual assistance on technical problems and to make representations to Government Departments and Officials upon inspection, production, specification, materials and such like matters pertaining to the industry.
- 3) To promote the standardisation of Small and Cottage Industries products.
- 4) To increase the amount and improve the quality of Small and Cottage Industries service to the public.
- 5) To conduct researches in pure and applied science and maintenance of finished products as well as for the raw materials used in their manufacture, where necessary, either directly or in consultation with other Government or public bodies and to start laboratories and Technical Research Institutes for the said purpose.

The work of the Congress is carried out through its council, the Secretariat to the Council and the Sub-Committees formed through the Council, and may deal with Emergency Problems, Export Policy, Finance, Membership, Monopolies, Enquiries, Production, Research, Contract Conditions, Education, Small and Cottage Industries development and Publicity.

Fulbright Act Benefits: Legislation conceived nearly 12 years ago as a means to convert goods used in war into instruments of peace has to date brought 1,683 scholars from the Middle East and South Asia to the United States or to American institutions abroad to study, train and teach. Of this total, 1,500 came to the United States. This includes 633 scholars from India. During the same period, 593 Americans went to this region for the same purpose under this legislation—the so-called Fulbright Act for international educational exchange.

NEWS IN BRIEF

INDIAN

The Government of India have decided to withdraw the restriction imposed on the free export of manganese ore and to allow with immediate effect shippers and mine owners to utilize their quotas freely for export of manganese ore of all descriptions.

Production recorded at Sindri during the financial year 1957-58 fulfilled the target of 330,000 tons of ammonium sulphate. Ammonia produced during 1957-58 amounted to 96,144 tons which is the highest till now reached.

Under section 3 of the Essential Commodities Act, 1955, the Central Government have issued an order regulating with immediate effect, the purchase and sale of non-ferrous metals, namely, copper, lead, tin, and zinc, in different forms at a price not exceeding an amount represented by an addition of 3½ per cent to its landed cost.

The Minister for Industry, Shri Manubhai Shah, told in the Lok Sabha recently that the proposed plant for the manufacture of coal mining machinery and equipment would be located at Durgapur in West Bengal.

The amount paid to the US Government under the \$190 million Wheat Loan so far was \$2.26 million (Rs. 1.03 crores) on account of Principal and \$25.98 million (Rs. 12.38) crores) as interest charges said the Deputy Minister of Finance, Shri B. R. Bhagat in the Lok Sabha recently. During February, 1958, loans and subsidies totalling Rs. 86,64,854 were sanctioned by the Union Ministry of Works, Housing and Supply for the construction of 2,150 one-room and 174 two-room tenements under the subsidised industrial housing scheme.

The Government of Bombay has appointed a study group of experts to examine, and propose specific measures for solving, a number of problems that have arisen in Bombay city mainly as the result of over-concentration of industry in the city's suburban as well as metropolitan areas.

The Central Ministry of rehabilitation paid a sum of Rs. 28,34,89,811 as compensation to displaced claimants from West Pakistan during 1957.

Nearly 500 villages spread over 100 N.E.S. and Community Development blocks in the country, will be benefited during the first phase of operation of the Rural Housing Programme of the Government of India.

The Cheque system for withdrawal from post Office Savings Bank accounts was introduced in five post offices in Delhi from April 1, 1958.

Foreign capital investments in India at the end of 1955, the period for which latest information is available was Rs. 0.63 crores in the public sector and Rs. 480.01 crores in the private sector.

FOREIGN

The East Pakistan Government is considering the setting up of a jute Marketing Expansion Board to regularise all foreign sales. It is also contemplating the introduction of regulated markets in specified places in the province to ensure a ready market and fair prices to jute growers.

Canadian production of crude oil in December showed a 20 per cent drop to 13,374,644 barrels from 16,661,971 barrels in the corresponding month in 1956, the Bureau of statistics announced recently.

In the second half of last year, Germany replaced the UK as the second largest exporter of manufactured goods after the US. The Board of Trade Journal notes that for 1957 as a whole the increase in German exports of manufactures was much above the average for all countries.

The Belgian National Bank announced recently a cut of ½ per cent in the rediscount rates. The key rate for bills payable at a bank and previously approved by the National Bank is now 4½ per cent. The reduction of ½ per cent applies to the whole range of interest and rediscount rates except for certificates of the Fonds des Rentes, for which the rate is unchanged.

French industrial productions during the first quarter of 1958 will show an increase of about 9 per cent over the corresponding period of last year, according to a review of the French economic situation published by the Ministry of Finance recently.

It is reported an additional revolving fund to the amount of DM 250 million (about £21¼ million) for the long-term financing of German export orders is to be set up by the Minister of Federal Property.

The US has made available to Spain a further \$15 million of economic assistance. In accordance with the Spanish Governments wishes, the latest aid will be primarily in the financing of imports of industrial raw materials.

Malaya had an adverse trade balance of \$M20.2 million in February, making a deficit of \$M 68.3 million for the first two months of this year.

The Spanish Government has announced new luxury taxes aimed at checking inflation and shifting the burden of taxation to "those best able to bear it" the middle and upper classes.

The Egyptian Government is to issue stocks worth £E4 million carrying 3 per cent through its Economic Development Organisation, which owns or holds shares in some 50 large concerns.

Registered unemployment in Sweden, which reached a peak of 59,300 in January, fell to 55,300 by the middle of March. This corresponds to 3.6 per cent of all workers.

The Pakistan central cotton committee has recommended to the Government reduction of export duty on deshi cotton in view of the Government of India's decision to that effect. At present an export duty of Rs. 80 is levied on deshi cotton.

The US Agriculture Department has announced that no extension of the period for export will be granted under the 1957-58 cotton exports programme.

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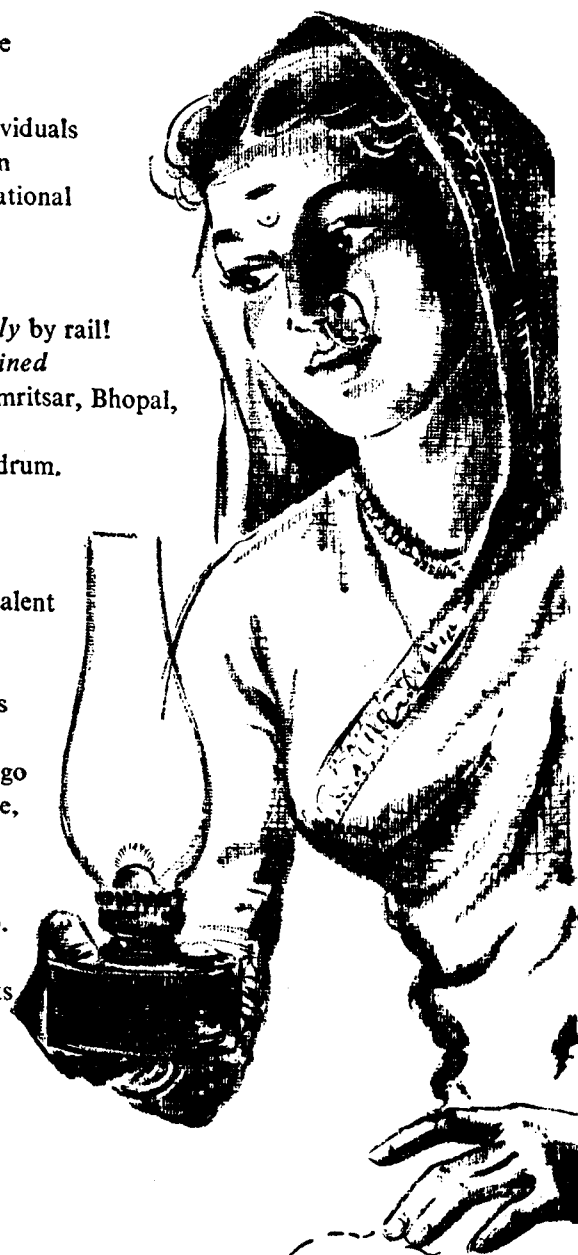
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A DELHI NOTEBOOK

DIFFERENT COSTS OF STEEL PROJECTS

SARDAR Swaran Singh, Minister for Steel, Mines and Fuel, informed the Lok Sabha last week that the three steel plants under erection at Rourkela, Durgapur and Bhilai would cost Rs. 170 crores, Rs. 138 crores and Rs. 131 crores respectively, exclusive of investments in ore mines, townships, etc. The Minister did a lot of explaining as to why their costs are different although all of them are to have a million-ton capacity each. Differences in steel manufacturing technique and practice between West Germany, Russia and the United Kingdom are reflected in the weight of the machines used, the sizes of the motors provided etc. The rolling mills of Rourkela are very different from those of Durgapur and Bhilai, and its modern strip mill alone accounts for a considerable part of the difference in costs between the respective rolling mills. Also, the reserve capacity of the rolling mills of Rourkela is the largest. Although the German-built Rourkela plant will thus cost more, the value of its products also will be comparatively higher.

All the three steel works will begin producing from next year on a comparatively small scale although they will not be in full operation before 1960. The Rourkela works, with a modern strip mill, will produce flat products like plates, sheets and tin plates. The Bhilai plant will produce rails and the heavier range of sections. And the Durgapur plant will produce relatively lighter sections besides the speciality of wheels, tyres and axles.

IN THE COAL SECTOR

While the Durgapur plant will have an attached coal washery, Durgapur itself will have, besides its steel works, a plant for the manufacture of coal mining machinery. The detailed project report which is expected from the Soviet experts next year will give a more precise estimate of its cost which, according to their preliminary estimate, was put at Rs. 15 crores.

Sardar Swaran Singh, who is also in charge of Mines and Fuel, compared in the Lok Sabha the performance of State collieries with that of private collieries. The State collieries managed by the Central Government, he said, had increased their production from 2.8 million tons at the end of 1955 to 3.38 million tons at the end of the year 1957, that is, by 21 per cent. The Singareni colliery, managed by the Andhra Pradesh Government had also increased its production from 1.5 million tons in 1955 to 1.92 million tons in 1957 that is, by 28 per cent. On the other hand, the Minister said, the private sector collieries had increased their production in the same period by just 12.2 per cent. In his obvious anxiety to 'prove' that the public sector of coal industry had performed better than its private sector, the Minister conveniently overlooked the fact that in the public sector as a whole (including the Singareni colliery) the production increase was only 23 per cent.

This is not all, for the Minister also conveniently forgot to mention that the private sector had made much better progress towards reaching the Plan (1960-61) target of 10 million tons of additional coal by increasing its production from 33.7 million tons in 1955 to 37.8 million tons in 1957 and thus attaining by the end of the latter year two-fifths of the additional annual target set for it for 1960-61. On the other hand, the public sector had increased its production from 4.3 million tons in 1955 to 5.3 million tons in 1957 and

thus attained by the end of the latter year just one-twelfth of the additional annual target of 12 million tons set for it for 1960-61. It is thus easily proved that the private sector of coal industry has performed far better than its public counterpart both in terms of absolute production and in relation to the Plan target. It was altogether strange Mr. Swaran Singh tried to 'prove' the contrary. A case of 'suppressio veri, suggestio falsi'?

LIGNITE, AND PETROLEUM

Some authoritative information was provided by Sardar Swaran Singh about the Neiveli Lignite Project in Madras State. The ultimate cost of this project would be about Rs. 75 crores accounted for as follows: Mining scheme — Rs. 17 crores; thermal power station — Rs. 21 crores; fertiliser scheme — Rs. 21 crores; briquetting and carbonising plant — Rs. 11 crores; subsidiary schemes like clay-washing — Rs. 5 crores. The thermal power station equipment based on lignite would be supplied by the Soviet Union under an agreement already entered into with that country.

Another fuel, petroleum, came in for optimistic treatment at the hands of Mr. K. D. Malaviya. In his reply to the Lok Sabha debate on the Budget demand for his Ministry, Mr. Malaviya foresaw a possible "annual consumption of up to 50 or 60 million tons of petroleum products in India in 15 or 20 years' time." This estimate must be accompanied by a question-mark, for it seems to be a wild guess. According to the Minister's calculations, India is "consuming about 60 (?) million tons of coal and about 120 to 130 million tons of cowdung and wood, and a very little quantity of electricity". If the country switched over even gradually from this 120 million tons of cowdung and wood, the Minister said, consumption of petroleum products "would come up to 50 or 60 million gallons in about 15 years' time." In one place, the Minister was estimating future consumption at 50 or 60 million "gallons" and, in another place, at 50 or 60 million "tons". Was it 'tons' or 'gallons'? Mr. Malaviya also referred to a 'current' consumption of 60 million tons of coal while in fact it was only about 40 million tons. These statistical howlers apart, there is the doubt if cheap kerosene stoves, for example, will invade all the households — rural and urban — and completely replace cowdung and wood fuels in 15 years' time! If Mr. Malaviya did not mean kerosene stoves, what else did he mean when he spoke of 'switching over' from cowdung and wood to petroleum products? It was good rhetoric or flight of fancy to say that "we are bound to shift from the cowdung age to the petroleum age or the atomic age".

A CHANGE FOR THE BETTER

A change for the better appears to have just begun in the administrative set-up of public corporations, with the services of more non-officials being enlisted for top posts. Although the Life Insurance Corporation will continue to be headed by a Civilian, Mr. P. A. Gopalkrishna in the place of Mr. G. R. Kamat, the State Trading Corporation is to have as Chairman of its Board of Directors a non-official, Mr. Chandulal Parikh, and two non-official Directors, Dr. P. S. Lokanathan and Mr. D. P. Goenka. Mr. K. K. Birla is to be Chairman of the Hindustan Cables; Mr. Mehr Chand Mahajan, an ex-judge, to be Chairman of the Nangal Fertilisers; Mr. A. R. Bhatt, President of the Maharashtra Chamber of Commerce, to be Chairman of the Hindustan Antibiotics; and Mr. Bhakle, an ex-Chairman of the Railway Board, to be Chairman of the Heavy Electricals Ltd.

Special Article

THE CAPACITY TO PAY AND WAGE BOARDS

DECLARING the Wage Board's Award for the Working Journalists 'ultra vires' of the Constitution, the Constitution Bench of the Supreme Court referred to "a fatal infirmity" in the decision of the Wage Board. The members of the Board seemed to have "lost sight of the fact that the essential prerequisite of deciding the wage structure was to consider the capacity of the industry to pay. If we had been satisfied that the Board had considered this aspect of the matter, we would naturally have been reluctant to accept any challenge to the validity of the decision." This observation of the Supreme Court raises some common but fundamental questions: What is meant by the capacity of an industry to pay? How is that capacity to be determined? Can that capacity be determined? Finally, had the Wage Board Award been accepted, what would have been its effect on the newspaper industry?

The Industrial Tribunals, it is true, have laid down that while determining the capacity of an industry to pay, it is essential that both its financial ability, present conditions and future demand for its products should be considered. In the case of *Britania Bldg. and Iron Co., Ltd.*, the Tribunal observed, "As time scales increase the wage bill a year after which is reflected in the cost of production, such scales should not... be forced upon the employer of the industrial labour unless it is established that the employer has the present capacity to pay and its financial capacity can be counted upon in future". Similar observations were made in the case of the *Union Drug Company Ltd.*

These decisions and observations, are however, vague and general. For more practical guidance in the matter, it is profitable to remember that the capacity of industry to pay can mean one of the following three things:

- i) the capacity of a particular unit (marginal, representative or average) to pay;
- ii) the capacity of a particular industry as a whole to pay; or
- iii) the capacity of all industries in the country to pay.

In New Zealand and Australia the capacity to pay is calculated with reference to all industries in the country and no special concessions are shown to depressed industries. In India, as in many countries of the West, on the other hand, an industry's capacity to pay is determined on regional basis. The latter principle is obviously better in view of the fact that it takes into consideration regional disparities. But even on regional basis it is not possible to measure the capacity of each of the units of an industry. The only practicable method, therefore, is to select a fair cross-section of that industry.

Though there is no general agreement in most of the countries of the free world on the manner of assessing the capacity of an industry to pay, the following are the accepted tests:

- a) the sales revenue of the industry;
- b) the changing volume of the output;
- c) the profit and loss in current business;
- d) the rates which have been agreed to by a large majority of the employees;
- e) the amount of increase or decrease in employment likely to be brought about by the imposition of the increased wages.

Besides, the elasticity of demand for the product; the possibility of tightening up the organisation so that the industry could pay higher wages without difficulty; and the possibility of increase in the efficiency of the lowest paid workers resulting in increase in production considered in conjunction with the elasticity of demand

for the product must be taken into consideration. A wage board should also see that the proposed wages for an industry are not very much out of line with wages in other industries in that region. Otherwise it would inevitably lead to movements of labour and industrial unrest not only in the industry concerned but also in other industries. Employment moreover, needs not only to be maintained at existing level, but also to be increased.

If it is difficult to assess the capacity of an industry to pay, it is more so in the case of the newspaper industry. This industry is a class by itself. The selling price of its products is in the majority of units below the cost of production. Further, the cost of its major raw material—the newsprint—varies so frequently that it is difficult to undertake any long-term commitments or projects. Again, the demand for newspapers is fairly elastic. If past experience is any guide, an increase in price of a newspaper invariably reduces circulation; a fall in circulation adversely affects the advertisement revenue. It is, therefore, not ordinarily easy to increase the price of a newspaper. Another formidable difficulty that faces a wage board for this industry is the likely effect that its award will have on the entire newspaper industry. Editorial employees are, after all, only a section of a newspaper establishment and consume perhaps between one-fifth and one-third of the wage bill. Any increase in their emoluments is sure to have repercussions on other sections. The factory and managerial staff would definitely clamour and fight for increase in wages. In view of their bargaining power, it would be difficult to resist their demand for long. Giving of retrospective effect to such an award would help only to aggravate the troubles of the newspaper industry. Its burden has been further augmented by the classification of newspapers and journals on the basis of gross revenue, fixation of scales of wages, provisions as regards the hours of work and leave, and grouping of chain newspapers into single units.

The financial burden which the Wage Board decision involved has vividly been depicted in the statements furnished by the appellants. For instance, the wage bill of the editorial section of the *Express Group* of newspapers would have gone up from Rs. 9,77,892 to Rs. 15,21,282. In the case of the *Press Trust* of India, there would have been an increase of Rs. 4,05,600. Similarly the wage bill of the *Indian National Press* and the *Hindustan Times* would have gone up by Rs. 5,18,964 and Rs. 2,16,000, respectively.

The burden would surely have been unbearable. The profit and loss statements of the 83 daily newspapers for the year 1953-54, which were submitted to the Supreme Court, revealed that only 43 of them had made profits. The Wage Board Award, had it been held valid and implemented, would have knocked off a considerable sum of their reserves. Besides, it would have thrown out of gear the "economy" of most of the newspapers; leading, in the end, to many closures. After a few years, it would have been found that the number of newspapers and journals in the country had not increased but gone down.

In view of the unsatisfactory conditions of the newspaper industry and its poor, if not almost non-existent capacity to pay, the fixation of wages and scales of wages by any statutory body, at this stage, therefore, seems inadvisable. It should be left to the employers and employees to share the prosperity of units through collective bargaining. Certainly something must be done for most working journalists; how much depends on each unit, and the capacity of managements to increase advertisement revenue. One of the great difficulties about the Indian newspaper industry, is that it has few outstanding managers.

The Business World

A COMMENDABLE ENTERPRISE

By

CROESUS

THIS generation is fortunate enough to see the fruits of many a successful units of private enterprise, but not the herculean pioneering efforts that have gone into their building up. Here is perhaps one of the reasons which explains the failure of many belonging to this generation sufficiently to appreciate the truly remarkable role of private enterprise. It is therefore the duty of private enterprise occasionally at least to bring home to the younger generation its achievements, and I am sorry to have to record that private enterprise may not always get full marks for this. I wonder how many units there are in the private sector, even in the year of grace 1958, which can boast of a really good and effective public relations wing, a wing that can deliver the goods in the same way that labour organisations, or rather a few labour leaders, with relatively less resources at their command, are able to do, as, for instance, in magnifying the size of profits of private sector units today. One could understand this if private enterprise were altogether devoid of any achievement to its credit, but not when one unit after another in this sector has been celebrating silver or even golden jubilees. These jubilees are indeed the occasions that provide an ideal opportunity for free enterprise to make known its achievements. It is not enough if celebrations of such jubilees are confined to directors and their friends and the employees of a unit, although I concede these must have an important place. These occasions must be fully exploited since the saga of the unit of private enterprise concerned to the whole country. Such should not be deemed to be the sole responsibility of the unit concerned, as seems to be the case at present, but of private enterprise as a whole, and all organisations that claim to stand for free enterprise ought to take a hand in this all important work.

Take, for example, the Silver Jubilee Celebrations of the *Walchandnagar Industries, Ltd.*, that took place on March 30. It was, in my opinion, much too modest in relation to its significance. I was fortunate enough to be present and, if I may say so, my faith in private enterprise has multiplied a hundredfold after that.

'Prima facie' it is all smooth sailing now in *Walchandnagar*. The factory and, with it, the township, have grown. There are smiling canefields all round, some owned by the factory and some owned by cultivators who fortunately believe it pays them to grow and sell their sugarcane to the factory. There is also a very good engineering workshop which can not only repair, but even replace, any worn out part of the factory, and there are the skilled technicians and the workers, many of whom have literally grown with their factory. Year in and year out, sugar and allied products are turned out in quantity to yield to the community reasonably handsome returns. Normally, this should be enough to let those in charge of such a concern to rest on their oars, but then that would mean the end of private enterprise. For private enterprise can justify itself only when, at every stage, it can demonstrate its initiative, imagination, and enterprise, as, happily, those in *Walchandnagar* have continued to do.

It was not very long ago that I had last been to *Walchandnagar*, but even within this short interval of

hardly a couple of years, I could see something new and exciting there. There was, for example, the spray irrigation that the company has lately taken to, which is perhaps the outcome of the Company's Farm Manager's visit recently to Australia, Java, Philippines, etc. Spray irrigation is still an experiment with us in India. Its advantages, such as simulation of natural rainfall, prevention of water logging, etc. are obvious, but, when strong winds are present, as we do have in India, they can create problems. Surely *Walchandnagar*, which has overcome the poor top soil and highly alkaline conditions of what was an arid region only twenty-five years ago, will find answers to these also in course of time.

Another instance of enterprise that struck me most was the rapid headway that *Walchandnagar* has made in regard to the manufacture of sugar machinery. Thanks to the enthusiasm and energy of the Chief Engineer, even such complicated items as fluid drive centrifugals are being made at *Walchandnagar* today. I am told a centrifugal costs anywhere up to Rs. 80,000 and, on this basis, it is easy to calculate what savings in foreign exchange we can effect if all that we must needs import for making one centrifugal is but Rs. 8,000. The normal life of a centrifugal is 20 years and there are more than 180 sugar factories in India, several of which are as old, if not older, and that should give one some idea of the volume of demand for centrifugals in this country.

It is not merely in these directions that progress is being made. In several other directions also, in short all round, one seems unmistakable evidences of steady and studied progress. Well could Mr. *Tulsidas Kilachand*, who presided over the celebrations, claim, therefore, that those who merely talk of socialistic society ought to visit *Walchandnagar* and take a lead out of its splendid example. Truly *Walchandnagar* constitutes a saga of private enterprise.

The man who conceived *Walchandnagar* — Mr. *Walchand Hirachand* — is no more and so also is Sir *Lallubhai Samaldas* who ever inspired that indefatigable soul, but these must have known and fully satisfied themselves when they passed on the baby to Mr. *Gulabchand Hirachand* that he was the Architect who would give concrete shape to their dream. How he was able to achieve this was narrated last Sunday by Mr. *Gulabchand* and it was characteristic of this modest man to minded devotion to the building up of *Walchandnagar*, attribute all the success, that owes so much to his single-to the work of his able lieutenants, the more important of whom he praised individually in public, and employees. With a loyal team such as he has collected around him, he can rest assured that he will be able to give an equally good, if not better, record of *Walchandnagar* at the Golden Jubilee celebrations 25 years hence. May *Walchandnagar* grow from prosperity to prosperity and continue to serve as a beacon light to others treading the same path.

RUSSIA AND U.N. TECHNICAL ASSISTANCE

(CONTRIBUTED)

LIKE "sputnik" the United Nations technical assistance programme circles the globe. Although the Soviet Union had espoused the cause of UN technical assistance, when it came to stand up and be counted the Russians were opposed to all proposals. Soviet delegates voted against the "expanded" programme in 1949 and refused to make any contribution. Because the Western Powers participated, the Soviet Union attacked the programme bitterly as the tool of Western monopolists and imperialists. Despite Soviet criticism and non-participation, the UN undertaking was an immediate hit with underdeveloped countries and has prospered. The budget is now \$30 million a year and underdeveloped countries have matched this sum two-for-one by providing machinery and labour on hundreds of projects. By the end of 1957 the expanded programme itself had spent a total of \$175 million. The programme has been so successful that the session of the General Assembly just concluded adopted unanimously the proposal of the United States to enlarge the UN technical assistance programme to \$100 million a year.

When the UN technical assistance effort grew in size and influence in the early 1950's, the Soviet attitude completely changed. In 1953 Russia pledged a nominal sum but with unacceptable conditions. In 1954 some of the qualifications were removed and the UN accepted four million roubles. Communist Eastern Europe quickly fell into line. By 1956 the Communist block was contributing the equivalent of \$1.4 million a year in their own currencies. It is not difficult to divine the reasons for the Soviet reversal of policy. The UN technical assistance programme was going to be a success, with or without Soviet participation. Underdeveloped countries such as India were becoming increasingly critical about the Soviet refusal to contribute. The West also was unrelenting in its criticism of Soviet technical assistance policy, pointing out that "not one red rouble" was helping underdeveloped countries. It was also a time of ferment within the Soviet Union. Greater flexibility and the desire to emerge from its self-imposed isolation characterized post-Stalin Soviet behaviour in the UN, as well as in the Korean war settlement, high level conferences, and the beginning of the Soviet foreign credit programme. The Soviet Union apparently had decided that its goals could more readily be achieved with a more co-operative and friendly posture in world affairs. Participation in the UN technical assistance programme was among the first moves in the emerging policy of competitive co-existence.

Even then contributions from the Communist block are quite small, totalling less than five per cent of the present technical assistance budget. The contributions are less than one-fourth of what these countries should contribute on the basis of their relative wealth and income. The United States contributes fifteen times more and France and Canada each contribute more. Even the underdeveloped countries of Africa and Asia contribute more. India alone contributed half as much as did Russia. But even the small Communist contribution has been difficult to use. None of the contributions were used until two years after Russia announced it would participate. In 1955 only about one-fourth of that year's Soviet contribution was spent and in 1956 only about one-third of the Communist contribution was used. The equivalent of more than \$4 million in Communist contribution remained idle at the beginning of 1957.

Some of the back-log was spent in 1957, but there remains a large sum of Communist currencies unused in the UN programme. That which has been spent has been concentrated in South Asia. Nearly three-fourths

has been used in India, Pakistan, and Ceylon. India alone has received about forty per cent of Communist contributions. The Middle East has received more than ten per cent of the rouble expenditures. A small proportion of Communist currencies has been used for technicians and fellows studying in Communist countries. Less than one per cent of the UN technicians have been Communists. More than three-fourths of expenditures of Communist currencies has been for equipment. The UN, on the other hand, has spent less than fifteen per cent of its funds on equipment. Nearly half of the equipment expenditures have been in Communist countries.

ROUBLE NON-CONVERTIBILITY

The basic reason for the inability of the UN to use Communist contributions has been the non-convertibility of their currencies. Roubles, zlotys, koruny, and other East European currencies are not international currencies. Russia, Poland, Czechoslovakia, and other countries have never been large world traders and their currencies are not acceptable in commercial transactions. Neither the underdeveloped countries nor the organizations participating in the UN programme have had any extensive experience in economic relations with the Communist block. Many countries remain distrustful of the Soviet area because of its earlier intransigence and Communist technicians are not welcomed because of the fear of subversion, espionage, and indoctrination. The result has been an inadequate demand for Communist goods and services in the UN programme.

UN agencies have laboriously tried to familiarize themselves with Communist export capabilities and trading practices, but this is a slow process, not made any easier by Communist reluctance to publish price lists, specifications or items available for exports. Communist countries have added to the problem by slow deliveries of their equipment and failure to offer technicians with adequate technical and linguistic backgrounds. In order to solve the "currency utilization problem" posed by the Soviet Union, the Technical Assistance Board, which co-ordinates the programme, has tried to get the Russians to make their contributions in convertible currencies. This has met with little success so far. The Technical Assistance Board also resorted to setting up "special projects" which were in effect bonus rouble projects for those countries which would accept Communist technicians and equipment. Thanks largely to this device, at least a part of the Communist contributions has been used.

The Soviet Union and Eastern Europe will be under great pressure to make their contributions in convertible currencies in the future, not only because of their slow-moving currencies and legislation which prevents special handling, but also because the new technical assistance programme just adopted by the General Assembly can be expected to call forth greater contribution from all countries. Communist countries now find themselves in an awkward position. They can hardly afford to fail to increase their contributions when all the other countries of the world are increasing theirs. On the other hand, contributing more roubles and other such currencies which may remain unspent in the programme will further damage the reputation of these countries and eventually lead to the charge that Communist countries are not really interested in helping underdeveloped countries. Contributing in convertible currencies is, however, tantamount to an admission that the Communist block has not yet really joined the world of commerce. Despite these problems, given Soviet willingness to co-operate, the UN programme is on the way to being the first example of genuine multilateral economic co-operation on a global scale.

BUSINESS NOTES

THE PERFORMANCE OF INDUSTRY IN 1957

A CONSIDERABLE amount of confusion prevails in regard to the overall level of industrial production in 1957. The Economic Survey released by the Ministry of Finance, along with the budget papers, showed that the rate of growth in the organised industrial sector had slowed down in 1957. It was estimated that, in percentage terms, the rise was of the order of not more than 4 per cent over 1956. It may be mentioned here that the increase in industrial output in 1956 over 1955 was of the order of 9 per cent.

Mr. Manubhai Shah tried to prove, while intervening in the debate in the Lok Sabha on the demands for grants for the Ministry of Commerce and Industry, that the impression created by the Economic Survey was fallacious and that the rate of growth of industrial production had not gone down. We give below a paragraph from his speech:

"In 1955, the general index of industrial production was 122; it rose in 1956 to 133, and in 1957 it touched 147.2, which means a rise between 1955-56 of 10.9 and between 1956-57 a rise of 14.2. So, even on this examination, the rate of growth is not really low."

Mr. K. G. Cleetus, Chairman of the Indian Engineering Association, has also quoted similar figures of industrial production and has also followed the same line of thought in his address at the forty-seventh annual general meeting of the Association. Here is a quotation from his speech as well:

"Industrial production in India has been rising steadily since 1952. Taking 1951 as the base, the general index of industrial production rose to 122.1 in 1955 and 133.0 in 1956. During 1957 the index maintained its general upward trend. For the first ten months of 1957 the general index of industrial production averaged 147.7."

From these quotations one may infer that in 1957 the rise in industrial production was of the order of 14 to 15 points. The fact is that the real rise is not of that order because the annual figure for 1956 at 133 is a seasonally corrected one, while the one for 1957 is not. This needs a little explanation.

The Directorate of Industrial Statistics recently started a revised series of Index Numbers of industrial production with 1951 as base. A feature of the new series is that, whereas the monthly figures for the general index are uncorrected for seasonal factors, the annual figures stand corrected for seasonal variations. Since this vital fact has been ignored both by Mr. Manubhai Shah and Mr. Cleetus, the picture of continued dynamism in the industrial sector in 1957 has been painted on wrong premises.

General Index of Industrial Production

	1956	1957
January	122.9	139.7
February	134.3	142.7
March	128.6	138.1
April	134.9	147.7
May	151.6	156.2
June	200.3	168.5
July	153.1	162.3
August	133.2	141.6
September	146.4	145.4
October	131.9	134.4
November	142.3	148.1
December	136.1	—
Average (Seasonally uncorrected)	142.97	147.72

Percentage change: +3.32

In the preceding table are set out uncorrected figures of the general index for each month for the years 1956 and 1957. It is seen that the uncorrected figure for 1956 is nearly 143 and not 133. From this table it is clear that the rise in industrial production in 1957 over 1956 was of the order of less than 4 per cent.

It is patent, therefore, that the performance of industry in 1957 has not been as good as in previous years. The rate of growth in 1957 was nearly halved as compared with 1956. It is needless to add here that the root cause for this slowing down in the rate of growth was, in the main, the bottleneck which the textile industry faced last year.

EXPANDING US INVESTMENTS IN ASIA

A RECENT survey conducted by the 'Journal of Commerce' into the state of the United States investments in free Asian countries shows that considerable expansion and diversification has taken place in the pattern of these investments over the last eight years. At the present moment only a press summary of this survey is available. Even so, the remarkable progress recorded in the increase in US investments cannot be missed. The survey in question emphasises that India can be taken as a representative example of the flow of US investments to this continent. It is somewhat flattering to learn from the observation of the journal that India has been recently showing greater receptivity for foreign investment. If appropriate tax incentives are offered to foreign investment in this country, there is no doubt that external assistance as well as technical and managerial assistance which follows it will flow in larger quantities. Direct US investment in the Indian industries increased from Rs. 17.91 crores (\$37.7 million) in 1950 to Rs. 32.30 crores (\$68 million) in 1953 and to Rs. 51.78 crores (\$109 million) in 1956. Thus during the six-year period American direct investments increased by 200 per cent. The journal further notes that when data for 1957 become available, there is no doubt that they will show an appreciable spurt in investment.

Turning to Asia as a whole, the survey remarks that during the last eight years American investments in Asian countries also increased by 200 per cent. In other words, the investments trebled. The industries in which investments are made now represent a diversified range. The pattern of investment also is changing in a marked degree. The conventional mode of US investment in Asia was to set up wholly owned subsidiaries of parent corporations in America. This trend continues even now. But a rapid shift is taking place towards the pattern of collaboration or joint participation either with the governments of Asian countries or with private indigenous enterprises. The American share of the capital usually takes the form of supply of plant and machinery. In addition, there are concurrent agreements for technical assistance.

Peeping into the future, the journal says that the outlook for American investment in Asian countries is encouraging. This is partly due to the energetic efforts which are being made by the capital-importing Asian countries, partly to the increasing readiness of American investors to send capital to Asian countries, but there is also the weight of active support given by the American Government. In the immediate future two factors indicate a more expanded flow of American investment. Private American investment will be stimulated under the Development Loan Fund. But the latest liberal policy adopted by Congress is still more welcome. The legislation recently passed by Congress stipulates that 25 per cent of the proceeds of the sales of surplus agricultural commodities should be set apart

for lending to American business firms and branches for their operations in the countries receiving the aid.

THE COMPANIES ACT AT WORK

WITH THE publication of the first statutory report on the working and administration of the Companies Act, 1956, covering the year 1956-57, certain uncomfortable trends have come to light. For example, it is known that new flotations during the year under report were very much less than in the preceding year. There may be some substance in the contention that the last quarter of 1955-56 must have been a period of rush flotations and registrations in order to escape the stringent provisions, then unknown, of the Act. Allowance must also be made for the other possible reasons advanced for the decline in the number of registrations. It is only natural that prospective promoters of companies would have wanted fully to understand the implications of the Company Law before forming new companies. Yet, this is, by no means, anything more than merely a partial explanation for the decline. What needs to be properly understood is that some provisions do exist in the new legislation which are not entirely conducive for growth and expansion, particularly for the private sector.

This becomes obvious by a slightly more than superficial study of the report. From the maze of statistical data presented in the report, it can be found that in all 848 new companies, both in the public and private sectors, were incorporated and registered during 1956-57 under the new Act. A year earlier, when the Act had not come into existence, as many as 1,262 companies in the private sector alone were registered. In total terms also, the number of companies in operation after the implementation of the Act had slumped on March 31, 1957, to 29,951 from the 30,381 which were on the live register on the eve of the coming of the Act. This should, however, be not as disturbing as it looks inasmuch as many a moribund and defunct company must have been weeded out. While there was a drop in the number of companies the total paid-up capital had gone up by some Rs. 37 crores to Rs. 1,058 crores. In regard to foreign companies, the report says there is no discrimination, except that there is some difference in the submission of accounts. By and large, the provisions of the new Act relating to foreign companies worked smoothly, according to the report, and 27 new branches, mostly of UK Companies were, opened in this country. In brief, the report contains substantial information regarding the administration of the Companies Act. It will have fully served its purpose only if the difficulties that the companies may be facing and which are gradually coming to be felt will have been removed.

EXPORT RISKS INSURANCE — A CONFIDENT START

LAST WEEK, Mr. T. C. Kapur, Managing Director of the Export Risk Insurance Corporation (Private) Ltd., outlined the progress made by that body since its inception in October last. The Export Risks Insurance Corporation, it may be recalled, was set up by the Government of India to cover the risks of exports on credit terms and provided, thereby, a much needed fillip to our exports. The scheme already covers risks involved in exports to some 16 countries and the inclusion of a few more countries under the scheme, we are told, is under contemplation. The E.R.I.C. is a private limited company that works on a "no-profit no-loss basis," and covers a variety of risks involved in exports on credit. The only exception is that it does not cover risks which are normally covered by general insurers. As Mr. Ratilal Gandhi, Chairman of the E.R.I.C. reiterated, the other day, the purpose of this new body is not to supplant the existing agencies in the field, but only to supplement their activities.

The Corporation, which commenced its business on October 14, 1957, has received, according to an official statement, 165 proposals of the face value of Rs. 11,23,73,000 for covering anticipated exports of Rs. 46,20,49,000; out of these, 78 proposals — which work out to less than 50 per cent — have resulted in policies and 27 proposals have been dropped because of the failure of the proponents to pay the initial premium. The remaining are said to be still pending, either because the initial premiums have not been paid or because the acceptance letters could not be issued due to incomplete information furnished by the proponents. The face value of the 78 policies that have been issued is placed at Rs. 3,83,95,000, and this, we are told, will cover anticipated exports valued at Rs. 17,34,01,800. A break-up of these 78 policies reveals that only 12 of them are for amounts exceeding Rs. 5 lakhs and that, out of the remaining, 30 are for less than a lakh and 15 for amounts exceeding Rs. 1 lakh but not exceeding Rs. 2 lakhs, while 21 are for amounts exceeding Rs. 2 lakhs but not exceeding Rs. 5 lakhs. This shows that the services of the Corporation are being utilised mostly by small and medium sized exporters. These are, in fact, the people who most require a protection of this type. The Corporation, however, is only too conscious that it has not yet been able to attract larger exporters, as witness the fact that it has not issued even one policy covering risks exceeding a crore of rupees! The reason for this poor response from the bigger exporters is believed to be the high premiums now being charged by the Corporation. This complaint of the exporters has since been brought to the notice of the government and, if the government were to agree to reduce the premium rates, Mr. Kapur hopes, it would not be difficult for the Corporation to reach the annual target of Rs. 10 crores. Even otherwise, the Corporation must be said to have fared well enough.

HINDUSTAN LEVER'S MODERN METHODS

MARKETING RESEARCH is of comparatively recent origin and has yet to find a foothold in India. Apart from a very few professional organisations conducting such research in limited fields, this modern method of business build-up is largely unknown in this country. Investigation into consumer preferences, habits and attitudes is beset with many traps. It is not improbable that, if keen caution is not exercised at every stage, the result may well be opposite to what is intended. From random sampling through questionnaires, interviewing and analysis of the data the entire process is delicate, demanding attention to minute details. In a sense, therefore, Hindustan Lever, which ranks as one of the large manufacturers of consumer goods, has done pioneering work by conducting marketing research for its products. It was only proper that the Chairman, Mr. S. H. Turner, should have devoted much the best part of his speech, at the annual general meeting of the Company held recently, to this particular activity.

From what he has said, it appears that Hindustan Lever have largely succeeded in by-passing the traps. In comprehensive terms, well illustrated by some homely examples, Mr. Turner has given some ideas of the principles of marketing research on which Hindustan Lever have tried to build up their marketing structure. It has been rightly admitted that marketing research is not a panacea or something which provides an answer to every question. For there is not a little influence of the subconscious on the intangible reasons of an interviewee. By and large, however, research conducted on scientific lines, as is being done by Hindustan Lever, bears good fruit and helps the manufacturer in deciding how his immediate market operations should be directed. There is no doubt that, as time passes and both consumer and manufacturer get more and more economy-conscious, marketing research will play an increasingly important role in the country's commerce.

Economic Report from the U. S.

U.S. IMPORTS

(By GUY SIMS FITCH)

WASHINGTON, April 8.—Two significant news items released here this week attest to the continued vitality of United States trade relations with other countries. One was the Department of Commerce's final report on the U.S. import total for January, at \$1,095 million, the total fell only 2 per cent behind the record January figure of last year. The other was a brief Treasury Department announcement of customs receipts for March. Continuing a trend of recent months these receipts exceeded those for the same month a year ago by some 5 per cent indicating that March 1958 imports either surpassed or came close to the \$1,132 million of March 1957.

This does not mean that total U.S. imports in 1958 will necessarily top or even equal the record \$13,000 million of 1957. Much may depend on such factors as the extent of the rise in U.S. economic activity later this year and the price stability of internationally traded products. It is significant, however, that most traders anticipate little decline in U.S. imports this year. And a few even look for an increase — if slight — over the 1957 record. The more pessimistic experts estimate this year's import drop at no more than \$500 million or about 4 per cent — certainly a minor enough dip. This import strength — combined with continued high levels of American tourism, private investment and Government aid — has led the U.S. Commerce Department to conclude that the flow of dollars from the United States to other countries is not likely to decline in the coming months despite the current downturn in U.S. economic activity. It is noteworthy that the sterling area's gold and dollar reserves have been rising markedly for some six months straight, and now are at the highest level in about

three and one-half years.

Back in 1949 and 1954, during the other brief and relatively modest post-war U.S. economic adjustment, the decline in U.S. imports was greater than anything forecast for 1958, in 1949, the decline was 7 per cent, in 1954 it was 6 per cent. The really important point, however, is that the recovery that followed each of those dips more than made up for the previous import drop. In 1950, imports rose some 30 per cent to a new high, and in 1955 to some 21 per cent also to a new high. These figures reinforce some interesting projections offered by a Commerce Department official at a recent trade meeting in New York. In the past 30 years, he noted, U.S. imports have expanded, on the average, at a compound rate of nearly 2 per cent a year. The post world war two experience, moreover, shows an even more buoyant trend. Between 1947 and 1957, the rise averaged nearly 5 per cent a year.

Assuming a continuation of reasonable rates of economic progress at home and abroad, the Department conservatively estimates the U.S. imports growth over the next 5 years at an average annual rate of 3.1 per cent. This projection takes on added significance in view of the high 1957 level on which it is based. What it means, in effect, is that by 1963, measured in constant 1957 dollars annual U.S. merchandise imports can be expected to approximate \$15,400 million. Not all categories of imports will fare the same, of course, just as U.S. industries will not all develop at exactly the same rate. But in the aggregate, the average annual import growth anticipated over the next 5 years is about in line with many projections of U.S. economic expansion.

The Sree Meenakshi Mills Ltd.

Madurai, Manapparai and Paravai
(South India)

Spindles: 1,04,716.

Looms: 144.

Managing Agents:

Thiagaraja Chetty & Co.

There is another aspect of the matter also. The second Five-Year Plan envisaged a bold programme of expansion for the sugar industry and for this purpose provided Rs. 50 crores for the expansion of capacity and another two crores for the expansion of sugar machinery plants. All this expansion of capacity and the expenditure on the same was based on the assumption of an increased level of sugar consumption resulting, among others, from shift from gur and khandsari consumption to sugar. With the expansion of khandsari now occurring, entirely against the Plan premises, the rate of consumption of sugar will not be as expected and, in fact, a contrary trend of shift from sugar to khandsari is likely to develop. As a result, it may not be possible to effectively utilise the increased capacity

of the industry which we hope to build up at a great cost. I am sure no one will view a situation like this with equanimity.

It should also be realised that with increasing production of khandsari the prospects of export of sugar would be considerably reduced. For, in any scheme of exports which the Government might adopt, the basic consideration would be that any loss on exports would be made up from the internal market. This in turn, presupposes a steady demand for sugar within the country even at higher prices resulting from the passing on of loss on exports to the internal market. But this cannot be the case with continuous supplies of cheaper khandsari flooding the markets. Any attempt to increase exports to meet the situation would not succeed and we shall find ourselves in a vicious circle of higher prices and shrinking demand. I firmly believe that successful implementation of an export programme would depend, on the one hand, on increased production of sugar in the country; and on the other, on its effective demand. Increased production of khandsari will, however, affect adversely both production and consumption of factory sugar and thus also exports.

URGENT NEED FOR REMEDIAL MEASURES

Keeping in view these various facts, I hope Government will appreciate the industry's anxiety. In fact, it had expected that Government would at the last budget time announce some steps in the form of suitable excise duty on khandsari sugar to curb the unplanned growth of this wasteful industry. But the absence of any such proposals in the budget has been a great disappointment.

It would urge with all the emphasis at my command for speedy and effective action in this behalf, in any case, well in advance of the next crushing season.

DIFFICULTIES OF EAST U.P. & BIHAR FACTORIES

The sugar industry in the East U.P. and Bihar has not made any head-way despite the progress of the industry as a whole. It might interest the members to know that in Bihar which is the second important State in the matter of sugar production, sugar output last year amounted to 3.12 lakh tons which though about the highest for the last several years is lower than the production achieved during the year 1939-40. In the matter of sugar recovery also the position instead of showing any improvement has deteriorated over the last several years. Against a recovery as high as 10.9 per cent in 1942-43, the last three years' figures at 10.22, 9.76 and 9.36, show a steady decline. The position in the East U.P. is also very serious as the mills there are not able to get even an economic crush. The production of 3.28 lakh tons achieved by these mills during the last season exceeded by only about 4000 tons their output of 3.24 lakh tons in the season 1936-37. From the point of view of market also, these mills are at a serious disadvantage in that there is no important market where they enjoy preference of any sort. Their production has to be sold in far off places in competition with others more favourably situated.

The important role that this industry plays in the economy of this region needs no emphasis. Here sugarcane is primarily grown for supply to sugar mills, and if they are allowed to stagnate, as has been the case, I venture to say that the development of the entire region will suffer. Perhaps there is no other part of the country where the dependence of agricultural economy on the sugar industry is so marked. I shall, therefore, urge upon the Government of India and the two State Governments concerned to pay special attention to the problems of the industry in this region.

CANE DEVELOPMENT

Speaking of the difficulties of the East U.P. and Bihar factories in the matter of cane development, I am mindful of the fact that the position with regard to cane development in the country as a whole requires much more concentrated attention, than has perhaps been given so far. The poor yield and quality of our cane is a malaise from which the industry as a whole suffers. This is the main problem facing the industry. Though the authorities themselves are conscious of the leeway to be made and have also undertaken some positive steps in the last few years, the problem is so big that all the efforts done so far have made little impression on the overall position.

It is a truism that sugar is grown in the fields and so long as we do not get from the fields what they are capable of yielding both in terms of yield and quality of cane, so long will our industry remain in an unenviable position.

Our Association had suggested that in order to give a stimulus to the working of the Research Institutes, it would be better to bring all the main institutes under an autonomous Sugar Research Board on which the industry and the growers would be represented. But somehow the Government have not seen their way to agree to this suggestion so far. It is true that the Indian Central Sugarcane Committee on which the industry and the growers are represented has as one of its functions the supervision of the sugarcane institutes. But in view of its multifarious activities, it would be advisable if the research institutes are placed under an autonomous Board devoted exclusively to research work. This Board would also take over the National Sugar Institute, Kanpur, presently not under the Indian Central Sugarcane Committee, which would help better co-ordination between agricultural and technological research.

LAND CEILINGS

While the need for improvement with regard to cane development is realised on all hands, the policy of some of the State Governments in regard to land holdings I am constrained to say, is not proving at all helpful in this behalf. It is well known that in the main cane producing countries, the efficiency of sugar industry is to a great extent determined by following what is known as plantation economy. In India, although this is not the rule, yet wherever sugar factories operate large-scale cane farms, these farms render a signal service as models and extension services for the cane growers in the neighbouring areas. The Planning Commission acknowledged the utility of these farms and recommended their exemption from ceilings. But some of the State Governments seem to follow a different policy. The U.P. Government have, for instance, by passing the U.P. Large Land Holdings Act and making it applicable to the sugar factory farms also, imposed a very high rate of tax on larger farms. Such a measure will in all likelihood lead to disintegration of the farms and loss of their valuable service to the industry and growers. In Mysore also, a Committee appointed some time back, has recommended application of ceilings to factory farms. If this position continues, other States may follow suit.

Such a development will prove harmful not only to the sugar industry but to the economic development of the country as a whole. For, any diversity in approach or policy between the Planning Commission and the State Governments will stand in the way of speedy and integrated development for which the country has sought to make planned efforts.

LICENSING POLICY

The two Five-Year Plans envisaged an increase of 10 lakh tons in the capacity of the sugar industry to bring the total capacity by the end of 1960-61 to 25 lakh tons. Necessary licences have already been issued for establishment of 56 new factories and substantial expansions in the capacity of 66 existing units. These cover the entire additional capacity targetted for. Of the new units licensed, four went into production in 1955-56 and five in 1956-57. Another 12 units were expected to start this year, but only 9 have actually started working. 30 existing factories have also expanded their capacity and others are expected to complete their expansion in due course. The total additional thus brought into effect is 4 lakh tons. There has, however, been a set back in the installation of new factories, due to delayed shipments of machinery and payment difficulties.

As members are aware, in the matter of licensing of additional capacity, we have been urging upon the Government to first meet the requirements of the existing units. For, it would cost much less both in terms of money and time if preference is given to the expansion of existing capacity wherever cane availability and other facilities permit the same. It may be pointed out that the expansion of existing units will largely be achieved with machinery manufactured within the country and will not require much foreign exchange. However, Government have not seen their way to agreeing to the same. The foreign exchange difficulty now further underlines the need of exploring avenues of expanding the capacity at as little cost as possible. I would, therefore, again appeal to Government authorities that wherever the units already licensed have not come up according to programme, the capacity thus released should be re-distributed among the existing factories depending on the scope of expansion of such units.

SUGAR PRICES

Earlier I have referred to the progressive increases in the sugar excise duty in recent years and their serious repercussions on the industry. These increases in the excise duty have tended to push up the price of sugar to an unduly high level now ruling when consumers' resistance is apparent. This is, however, not related in any way to the working of the sugar mills but is a direct result of high taxes levied by the Government. It, therefore, comes to us as a surprise when the current prices are misconstrued to imply high profits. It is not uncommon to observe in the press or in the observations of persons occupying responsible position in the country's life uninformed and unfounded criticism of the industry. I am not against criticism and would welcome it provided it is based on facts. Even a cursory glance at the cost structure of Indian sugar as adopted by the Government will at once convince anybody of the fact that neither is the sugar mill industry responsible for the present level of prices nor does it benefit from them.

NEED FOR TAX RELIEF

In recent years the cost structure has undergone considerable variations. While the Government levies show a phenomenal increase of 344 per cent, the cost of cane has also gone up by 14 per cent. Similarly, of other items of cost have also gone up reflecting the higher prices of raw materials and increased labour charges. In sharp contrast to the increases on all these items the single item which has shown a decline and that too by a fair percentage of 17 per cent is in respect of overheads and the gross profit margin allow-

ed to the industry. It is therefore, not understood how in the face of these facts allegations against the industry of high prices or high profits can be sustained.

Before I pass on to another matter, I would like to invite Government's particular attention to the sharp increase in the tax burden on the industry. Since 1946-47, the Central Excise Duty has been raised from Rs. 2-3 to Rs. 10-11 per Md. Of this increase Rs. 2-7 accounts for replacement of sales tax by additional excise duty effected last December, which may normally not be taken as an additional burden. But the position with regard to Sales tax was that it was paid by the trade and in the final analysis, by the consumer. But the additional excise duty has to be shouldered initially by the industry with the prospects of its passing on to the consumer depending on market conditions. And with unfavourable market conditions such prospects look rather dim.

The State Governments of U.P. and Bihar have also raised the cane cess from As. 1 to As. 3 per Md. Along with this, the Co-operative Societies Commission in these States also went up from As. 3 to As. 9 per Md. of cane. All these together amount to a high figure of Rs. 13-3 per Md. of sugar.

I would submit that such disproportionately high rate of taxation on this industry is bound to stifle its future development. Admittedly, if the industry has to fulfil the Plan targets and also maintain increased exports, it is necessary that a rising tempo of production and consumption of sugar within the country is maintained; these are like the two needles of a clock and should function in close harmony. But the present rate of taxation, as I have shown is adversely affecting both production and consumption of factory sugar. There is thus an urgent need for granting an appropriate tax relief to this industry, and I appeal to the Government, to give due consideration to our request.

REHABILITATION AND MODERNISATION

While on this subject, I would also invite Government's attention to the financial requirements of the industry for rehabilitation and modernisation of the existing plants which have a close bearing on their efficiency and production. The Planning Commission has assessed its cost during the second Plan period at Rs. 50 crores. The profit margin now available to the sugar mills industry hardly permits of such heavy investments specially with the prices of machinery parts ruling 4 to 5 times of the pre-war level. The industry has already brought this fact to the notice of the Government and I hope that some solution will be found to enable the industry to proceed with rehabilitation and modernisation of the plants now overdue.

CANE FREIGHT

I would also take this occasion to draw Government's attention to the recommendations of the Railway Freight Structure Enquiry Committee which envisage a general rise in railway freights, particularly for short distances. The sugar factories particularly in U.P. and Bihar depend to a large extent on cane supplies from distant centres. In the absence of good roads in the factory areas, this cane has to be transported by railways and any increase in the railway freight will further add to the industry's cost structure thus making it uneconomical to crush distant cane. This will adversely affect both sugar production and the interests of cane growers who may have to utilise their cane for less remunerative uses. I hope, while considering the Freight Committee's recommendations, the Railway Ministry will give due consideration to the peculiarities of this case and decide against any further increase in cane freight.

Company Meeting

HINDUSTAN LEVER LIMITED

Speech of the Chairman at the Annual General Meeting

Marketing Research in Hindustan Lever

The Annual General Meeting of Hindustan Lever Limited was held in Bombay on April 7, 1958. The following is the text of the speech made at the meeting by the Chairman, Mr. S. H. Turner.

I have great pleasure in welcoming you to this Annual General Meeting of the Company.

The Annual Report and Accounts have been with you for some time and I shall take them as read. As I have also circulated to you my review of their salient features I do not wish to dwell on them further in my speech today.

I would like to tell you about a particular activity of our Company which has an important influence on the development of our business — that is, Marketing Research. Marketing research involves a study of consumer preferences, habits and attitudes. Thus it helps us to decide how our immediate market operations should be directed. It also involves an examination of trends, so that its findings indicate the future pattern of the market and assist us in shaping our forward policies. All our decisions on the improvement of existing products or the development of new ones, the adoption of new selling methods and the application of new advertising techniques are the more effective for being taken in the full and intimate knowledge of our markets, which continuous research into these markets is designed to provide.

To large manufacturers of consumer goods — and we must rank among the largest in India — economies come largely from mass production and mass selling of standardised lines. This standardisation is only successful if the resultant products appeal in properties and performance to the greatest number of people. We have many millions of customers. They vary widely in their tastes. They are conditioned by different social, cultural and religious background. We must have products which are acceptable alike to the rich and the poor educated and the uneducated, to the Punjabi and the Tamil.

To discover what preferences are most general in this variegated pattern of consumers we choose a representative sample of them and find out what their opinions are by questioning them. The result is intended to reflect the opinion of our universe of potential customers. The size of this sample is determined mathematically once we have postulated the number of categories of people it shall contain to fulfil the particular purpose in view. The combined opinions and attitudes of the individuals composing this sample will be representative of our universe within a calculable margin of error, provided the questions we put to them are so phrased as to evoke the respondent's true opinion and not an opinion adapted to please the questioner or to express what the respondent thinks it is respectable to say rather than what he really thinks.

The framing of our questions to ensure that the respondent is not tempted to disguise his true feelings calls for great skill. For example, people who believe that good form requires them to have a bath every day sometimes sincerely think they have a bath every day, whereas in fact they only have a bath four times

a week when the weather is cold. In a foreign country it was once found that if everyone cleaned his teeth as frequently as was claimed, the toothpaste manufacturers would be unable to supply the total demand. Similarly we find that in Kerala people are inclined to say they take a bath four times a week, and some may even claim to do so twice a day, whereas in Saurashtra nobody minds confessing to washing himself and his clothes only once a week or even much less frequently. The mental attitude to washing in Kerala is conditioned by an abundant supply of water. The habits in Saurashtra have been formed by a geography in which water is scarce and precious. In Northern India there are still women to be found who will not admit to eating vanaspati because it is socially more estimable to eat ghee. And in most U.P. households both the wife and the husband will treat the choosing of anything, whether cooking fat or soap, as the prerogative of the male, despite the fact that the investigator may often have an uncomfortable suspicion that when it comes to the point the wife makes the husband's choice for him.

These shynesses, reticences, resistances, sub-conscious blocks or what you wish to call them, run through the whole of our work. Nowadays, therefore, in addition to the straightforward technique of so phrasing the questions that they are completely neutral, a great many techniques have been devised to set people's subconscious at ease, to get at the facts below their lapses of memory and to allow for their desire to conform to convention. We may, for instance, ask a group of housewives in for a cup of tea and get them sufficiently relaxed so that they will talk freely and even admit the prejudices which, in answer to formal questions, they might feel were too ridiculous to mention. These are obvious examples. Beyond them lie the more surprising discoveries that have been brought out by touching the deeper layers of the mind. Women are, for instance, quite often allergic to advertising that suggests that some new product will save them a lot of time in the kitchen because they feel that it is their capacity as home-makers that gives them their prestige in the family; if making a home is made too easy, what will happen to the respect their husband and children feel for them? Or, again, we have done some investigations which suggest very strongly that many of the prejudices people have about Dalda do not really have anything to do with Dalda at all but are only a way of venting their resentment against a world which, for many professional class people, is narrower and more difficult than it was before the war. Buying Dalda instead of ghee is a very good way of economising, so they transfer to Dalda the resentment they feel that the world has now become a place where they have to watch every rupee.

Another technique is to try simply to get the housewife to talk freely, with the investigator doing no more than listen sympathetically, prompting only when the flow stops. In that way we can sometimes discover what the associations are which really matter in people's minds. These are not always either predictable or logical; for instance, it is not necessarily the rich woman who buys Sunlight; it may be the poor woman who values its lather and the ease with which she can do her washing with it; the rich woman whose

washing is done for her by servants quite often feels that they are so wasteful of soap anyway that it is best to buy for them the cheapest brand on the market.

I have not attempted to describe marketing research techniques in detail or with the accuracy of a textbook. I have only been trying to give you some idea of the principles on which a marketing research department works. I would now like to try and tell you something of how we use the results of marketing research in order to influence the decisions we have to make from day to day in the running of our business; and nowadays there are hardly any decisions on the marketing side which we can make without taking into account our research results.

We begin with a picture of our market. Who is it who buys our products? We know they are not bought equally over the country. Dalda, for instance, is bought far more in the hard fat areas of the North than in the oil areas of the South. Sunlight is specially strong in Eastern India. We have to find out exactly what the map is like for each product and whether the reason for its strength or weakness is particular areas is due to the habits of the local people or to something in the product. For instance, Dalda sells well both in Maharashtra and in the Punjab but that in itself gives no guidance on how we should split our advertising between the two. Marketing research shows that we have a much lower percentage of the total hard fat market in the Punjab and that therefore the Punjab is much more likely to reward a major advertising effort than Maharashtra. Again, Sunlight sells quite satisfactorily in the Punjab, but marketing research shows that whereas in Eastern India it is used largely as a general laundry soap, in the way we hope it will be used, in the Punjab it is used mainly for washing particularly good clothes. The Punjab therefore offers an immense opportunity for the expansion of Sunlight's use into general washing.

Until we know the shape of the market we do not know where to strengthen our distribution or how to split up our advertising. We may even find sometimes that we have reached saturation point, that any further consumption of our products can be only attained by a quite disproportionate expenditure, and we might then even slacken our advertising or make our distribution less intensive. And of course if marketing research shows that our product is bought only by the professional class because it is suitable only for the educated, we would not spend a lot of money advertising it in publications read only by farmers or industrial workers.

We not only have to find out who buys our products and where. We have also to find out what they think of them. We have a very clear idea in our own minds of what our products can and cannot be expected to do, and the temptation is always to think that our image of them is so based upon technical fact that the public must think of them in exactly the same way. Sometimes this is not so. It is no consolation that we are right and the public are wrong. The public's beliefs are a fact. We do not expect mountain of Public opinion to go to the Mohamed of our knowledge. On the contrary, I hope you have all noticed we are at pains to bring the Mohamed of our knowledge to the mountain of consumer opinion.

With a product we have had on the market for a long time, Marketing Research is only one of several ways of knowledge. We can, for instance, cross-check a great deal of what Marketing Research tells us from our sales figures, which tell us quite as clearly as Marketing Research can whether we sell more in U.P. than in Mysore or in Malabar Hill than in Parel; and, though

the figures themselves will not tell us why, sometimes we can find that out too from what our dealers and our shopkeepers and our salesmen tell us; or sometimes we can guess what is giving us our sales from the laboratory's reports on the performance and quality of the product. We know that the law does not permit Dalda to have the taste of ghee and are not surprised when we find that Dalda is not used for those purposes where it is the ghee taste which is essential.

Marketing Research is not a panacea. It does not provide an answer to every question. Sometimes people find it so difficult to define what they mean that we are driven back on our own personal judgment.

For instance it was discovered a long time ago that when people buy a toilet soap they look at almost anything except its capacity to clean—the luxury of its appearance, the purity of its colour and, above all, the pleasantness of its perfume. The reason is obvious. Every toilet soap will wash the dirt off one's face. Thus far Marketing Research gave a perfectly clear answer, but when we then tried to find out which colour or perfume or wrapper people like, we very rapidly got frustrated. One cannot get adequate explanations out of most people for why they like the perfume or colour they like; their reasons are too intangible, too indefinable, perhaps too deep in the subconscious. The standard way of praising a perfume is to say that it is nice, and since different people call perfumes of almost every note and composition nice, that is very little help. If one presses them they may say 'strong' or 'weak'. But since different people have different definitions of 'strong' and 'weak', one tends to find that the same perfume is being praised for both qualities. Equally, people will talk of the purity of a colour or of its whiteness. 'Pure' is a word of clear meaning when applied to ghee or to morals; but what is a pure as against an impure blue? And white is a colour or infinite shades. One has to use one's judgment of which shade of colours or perfumes the public would probably like, and then, within the narrow range thus selected, make a final choice by asking people their preferences as between, at the most, three or four blank tablets, the only difference between which is the perfume or colour or whatever the variable is one is testing. Moreover, as people's preferences are usually accurate only between two products at a time, even to test four is a pretty elaborate business. To test the whole possible range is simply impossible.

Thus a large part of our marketing research effort is Product Testing. Recently we were faced with a problem in marketing Rinso. We had to decide whether we should choose for the powder a soap base which would give a superlative lather provided warm water was used, or an alternative base which, though giving a less spectacular lather, would dissolve well in cold water. We prepared experimental powders with the alternative bases and gave trial packets of both to a selected sample of housewives. The majority preference was in favour of the cold water-soluble product and as a result of this we were able to formulate Rinso to be most suitable for a country where the water is rarely heated for washing.

In the spring of 1957 we introduced our Lather Shaving Cream—Erasmic. Before launching this product we carried out widespread product tests, and the results were measured by marketing research to ascertain that the product was of sufficiently high quality.

Social and economic changes have the most important bearing on our business. For example, the development of new industrial colonies like Chittaranjan and Sindri where the habits of the villagers living on a subsistence level change quickly when they become

industrial workers with regular pay and modern amenities. Their standard of living rises suddenly and they begin to consume products which they could not afford before. A study of these new dynamic townships that are growing up shows that they are likely to create a strong demand not only for our main products but also for our special lines and toilet preparations.

Besides research into our current products and people's existing habits and preferences, a growing and important use of our research is looking into the future to study possible modifications and changes in products to make sure that we keep pace with shifts in consumer requirements and habits. It is as much our responsibility to investigate future demands of consumers as to satisfy their present demands. In a free economy consumers' wishes are never static, and it is for us to look ahead and find out what consumers are likely to want in the future. This is particularly important in a country like India where society is changing fast and will change perhaps even faster in the future.

In recent years we have applied marketing research techniques to estimating the size of the groundnut crop. The official figures do not come out until the end of February, and since the heaviest buying season of the year is in December, January and February, we must form our own assessment of the crop to guide our buying policy of groundnut oil and seeds. We take a very rough sample of roadside farmers and confine ourselves to a few simple questions. The margin of error with such a technique is obviously considerable, but we have found that we get an answer which is reasonably near the final official answer, and also that we get an idea, which the official figures give only months later, of where the crop has been good and where the crop has been bad, which has a very considerable influence on the relative prices our different factories will have to pay.

When we are satisfied that we are making the right product a product which will both do a good technical job and will also satisfy the desires or prides which the public wants it to satisfy, there still remains the question of how to tell the public that this desirable product is there to be bought. The answer is advertising, and therefore all consumer goods manufacturers must spend a lot of money on advertising—particularly India, where advertising has not only the task of trying to sell a particular brand of product against its competitors, but may often be required to introduce the product-type as one which is a necessary part of a higher standard of living.

We should naturally like to find out whether our advertising money is being spent to the best effect. That is not easy. When people buy something they very rarely remember why they first bought it. Very few people ever say that they first bought Sunlight Soap because the read in a Newspaper on the 15th January that it washes white and bright. Partly this is because they do not know that that is what happened. Advertising comes to them from many angles—shop displays, cinemas, press, posters—and it is hard to identify just what sparked the final decision to buy. Partly it is because people like to think they make their minds up for themselves and resent the idea that they were moved by the pretty girl in the advertisement.

Because of all this it is not easy to test how effective advertising is in making people buy. What we can test is whether people have seen our advertisements and whether they remember what the advertisements said. In these respects the results of the tests we have done on our own advertising are generally satisfying. Lifebuoy advertisements, for instance, have

been seen and remembered by about half the people we have asked. Cinema-goers seem to be receptive to advertising films and ours have normally been well remembered. In a recent enquiry Rexona shop display material was recalled by a high proportion of respondents.

Though it may be difficult to assess how effective any particular advertising campaign or subject has been in creating a sale, nevertheless, we have constantly to develop our judgment in them. Motivation research attempts to supplement intuition with scientific enquiry. It involves investigation of consumer attitudes and behaviour and particularly of the reasons why people buy. We feel that if we can establish the reasons (whether they be conscious or unconscious) why people buy and what influences them in their choice, then we will be in a better position both to give them the products they want and also to present and advertise them in a convincing way.

Our function as a Company is to try and give the consumer products which he will like and which will do the job he wants them to do. Before we can do that we must find out what the consumer will like, what is the job he wants them to do, as distinct perhaps from the job we think he ought to want them to do, whether the products we can make come near enough his ideal—one never achieves perfection—and whether our methods of telling him about them are adequate. For all these purposes there is no tool more valuable than marketing research.

Note: This does not purport to be a record of the proceedings of the Annual General Meeting.

B. I. C.

THE

BRITISH INDIA CORPORATION LTD.,

KANPUR.

Branches:—Cawnpore Woollen Mills Branch, Cawnpore Cotton Mills Branch, Cooper Allen Branch, North West Tannery Branch, New Egerton Woollen Mills Branch.

Subsidiary Company:—
BEGG, SUTHERLAND & CO. PRIVATE LTD.

Managing Agents for:—Elgin Mills Co., Ltd., Brushware Ltd., The Cawnpore Sugar Works Ltd., Purtabpur Co., Ltd., Champarun Sugar Co., Ltd., Cawnpore Textiles Ltd., Saran Engineering Co., Ltd.

Secretaries of:—The Beta Picker Co. Private Ltd.

Agents for: The Royal Exchange Assurance.

COMMODITY NEWS AND NOTES

IMPORT OF ONIONS BY CO-OPERATIVES

The Minister for Commerce, Shri Nityanand Kanungo, stated in the Lok Sabha recently that Government had decided, as an experimental measure, to allow co-operative societies to export onions freely. Shri Kanungo, who was replying to a question by Shri Bishwanath Roy, said that co-operative societies had been provided with special facilities in regard to export of onions for several years. Asked whether there was any improvement in the exports of onions last year as compared with 1956, Shri Kanungo said that exports depended upon the quotas released, from time to time, taking into account the surplus available in the country. Statistics which were available up to October 1957 showed that exports of onions increased in the ten months, January to October 1957, by value as compared with exports in the corresponding period of 1956.

RESTRICTION ON EXPORT OF HIGH GRADE MANGANESE ORE REMOVED

In their policy for export of manganese ore for the period July 1957 to June 1958, the Government of India had announced 'inter alia' that quota holders of manganese ore would be required to utilise at least 40 per cent of the quotas issued to them for export of manganese ore containing 42 per cent manganese and below. This policy has now been reviewed and it has been decided to withdraw this restriction with immediate effect with the result that shippers and mine-owners will henceforward be free to utilise their quotas for effecting exports of manganese ore of all descriptions.

NEWSPRINT IMPORT

The Chief Controller of Imports and Exports will consider applications for the import of newsprint only from actual users and not from the licensing authorities at the ports, according to an Import Trade Control Notice issued in New Delhi recently. This has been done to ensure that actual user applications for newsprint are dealt with expeditiously.

DECLINE IN WORLD COPPER OUTPUT

Production of refined copper in the world during February this year declined to 247,746 tons from 261,853 tons in the previous months according to the U.S. Copper Institute. Output of crude copper also recorded a similar decline from 264,819 tons in January, 1958, to 237,277 tons during the month under review. Deliveries to fabricators during February, 1958 totalled 224,176 tons compared to 259,878 tons in the previous month. Stocks of refined copper at the end of February, 1958, totalled 470,464 tons against 448,900 tons at January's end.

SMALLER CARRYOVER OF U.S. COTTON

The International Cotton Advisory Committee has predicted that the U.S. carryover of cotton next August would be under 9 million bales. The Committee, in its review for March, also forecast U.S. cotton exports this season at around 5.7 million bales. "Consumption of cotton in the U.S.A. in the first six months of the 1957-58 season was down by over a quarter of a million bales," the Committee said. "With curtailments still going on, consumption for the full season is expected to fall to around 8 million bales compared to 8.6 million bales in 1956-57 and 9.2 million bales in 1955-56. "Disappearance, therefore, should be down by about 2.5 million bales. Supply this season in the U.S.A., however, is off by over 5 million bales because of a much smaller carry-in and a sharp drop in production. The carryover into the new season on August 1 is, therefore, likely to fall to under 9 million bales compared to 11.3 million bales in last August. This will be the smallest carryover in five years." The Committee added that normal stocks in the U.S.A. would be between 4 million and 4.5 mil-

lion bales, "still a considerable surplus." But stocks were expected to consist predominantly of lower grade cotton for which the market was quite limited. "In Western Europe, despite reports of reduced textile demand and overproduction, cotton consumption in many countries has been running at a higher rate during the first four or five months of the season. The increase is such that even if the trend is reversed during the next few months, consumption for the full season should hold close to last season's 7,600,000 bales. A slight increase in consumption is possible for the Federal Republic of Germany, France and Switzerland, while the only evidence of any real decline at the moment is in Belgium and possibly Spain.

THE AMALGAMATED ELECTRICITY CO., LTD.

The Registers of Members and Transfer Books of the Company will be closed from 14th to 22nd April, 1958, both days inclusive, in connection with ad-interim dividend for the half year ended 30th September, 1957, payable on or after 23rd April, 1958.

By Order of the Board,
 for N. C. JAVERI & CO.
 N. C. JAVERI
 Partner
 Managing Agents

BOMBAY,
 March 31, 1958.

Economic Prosperity in South East Asia offers new markets for your goods

In South East Asia, as elsewhere, what you can sell depends on what the people need—their ability to buy. The Indian Overseas Bank with branches in several centres has made a special study of this important growing market and can help you solve your trading problems.



Branches at: Bombay, Calcutta, Madras, New Delhi, Hyderabad and throughout South India. Overseas Branches: Rangoon, Colombo, Ipoh, Kuala Lumpur, Penang, Singapore, Malacca, Bangkok, Hong Kong.

Agents and Correspondents all over the world

Chairman: M. C. MUTHIAH
 General Manager: C. P. DORAKANNAN

The United Commercial

Balance Sheet as at

31-12-1956

CAPITAL AND LIABILITIES

Rs.	Rs.		Rs.	nP.	Rs.	nP.
1. CAPITAL :						
3,00,00,000		AUTHORISED CAPITAL: 8,00,000 shares of Rs. 100 each ..	3,00,00,000	00		
4,00,00,000		ISSUED AND SUBSCRIBED CAPITAL: 4,00,000 shares of Rs. 100 each ..	4,00,00,000	00		
	2,00,00,000	AMOUNT CALLED UP: 4,00,000 shares at Rs. 50 per share ..			2,00,00,000	00
2. RESERVE FUND AND OTHER RESERVES :						
	1,15,00,000	Reserve Fund (including that under Sec. 17 of the Banking Companies Act) ..			1,34,00,000	00
3. DEPOSITS AND OTHER ACCOUNTS :						
22,57,81,483		Fixed Deposits ..	29,47,89,454	87		
5,22,24,626		Savings Bank Deposits ..	5,81,28,236	10		
24,34,69,479	52,14,75,583	Current Accounts, Contingency Accounts, etc. ..	25,78,26,964	18	61,07,44,655	15
4. BORROWINGS FROM OTHER BANKING COMPANIES, AGENTS, ETC. :						
8,49,00,000		(i) In India ..	17,00,000	00		
1,11,857	8,50,11,857	(ii) Outside India ..	17,05,556	17	34,05,556	17
PARTICULARS :						
(i) Secured						
4,91,20,000		(a) By part of Investments per contra Rs. 30,20,658 94				
3,57,80,000		(b) By part of Bills Discounted and Purchased per contra Rs. Nil	30,20,658	94		
1,11,857		(ii) Unsecured ..	3,84,897	23		
8,50,11,857			34,05,556	17		
63,79,87,445		Carried over ..			64,75,50,211	32

Bank, Limited,

31st December, 1957.

31-12-1956

PROPERTY AND ASSETS

Rs.	Rs.		Rs.	nP.	Rs.	nP.
1. CASH :						
	4,45,98,494	In hand and with Reserve Bank of India and State Bank of India (including foreign currency notes) ..			4,53,77,791	01
2. BALANCES WITH OTHER BANKS :						
(including Foreign Government Treasuries)						
On current account :						
18,67,061		(i) In India Rs. 33,74,708 84				
2,79,42,530	2,98,09,591	(ii) Outside India Rs. 1,86,90,421 06		2,20,65,129	90	
On deposit account :						
Nil	6,80,000	In India (Staff Security) ..		6,80,000	00	2,27,45,129 90
3. MONEY AT CALL AND SHORT NOTICE						
Nil						1,47,16,666 67
7,50,88,085						8,28,39,587 58
4. INVESTMENTS : (at below market value)						
(i) Securities of the Central and State Governments and other Trustee Securities, including Treasury Bills of the Central and State Governments ..						
17,22,35,839				17,86,24,313	67	
(ii) Shares :						
4,18,212		(a) Fully Paid Preference Shares ..		7,89,462	50	
5,98,400		(b) Partly Paid Preference Shares ..		3,77,150	00	
32,05,325		(c) Fully Paid Ordinary Shares ..		30,05,325	00	
9,50,000		(iii) Debentures or Bonds ..		8,50,000	00	
(iv) Securities of the U.S.A., Burma, Malaya and Pakistan Governments and Foreign Trustee Securities ..						
1,69,09,374				1,57,74,612	83	
..	19,43,17,150	(v) Gold ..				19,94,20,864 00
5. ADVANCES :						
(other than bad and doubtful debts for which provision has been made to the satisfaction of the auditors)						
(I) Loans, Cash Credits, Overdrafts, etc. :						
(i) In India Rs. 20,81,73,864 10						
19,03,16,638		(ii) Outside India Rs. 3,87,67,587 13		24,69,41,451	23	
3,50,34,589						
(II) Bills Discounted and Purchased (excluding Treasury Bills of the Central and State Governments)						
(i) Payable in India Rs. 4,67,82,881 64						
9,01,22,991		(ii) Payable outside India Rs. 8,31,84,518 94		12,99,67,400	58	37,69,08,851 81
6,90,57,911	38,45,32,129					
	65,39,37,364					
Carried over ..						
						65,91,69,303 39

The United Commercial

Balance Sheet as at

31-12-1956

CAPITAL AND LIABILITIES

Rs.	Rs		Rs.	nP.	Rs.	nP.
	63,79,87,445	Brought forward ..			64,75,50,211	32
	1,50,33,073	5. BILLS PAYABLE			1,09,51,038	10
		6. BILLS FOR COLLECTION BEING BILLS RECEIVABLE as per contra :				
3,25,36,141		(i) Payable in India ..	3,62,57,387	99		
3,36,41,643	6,61,77,784	(ii) Payable outside India	3,42,87,779	62	7,05,45,167	61
		7. OTHER LIABILITIES :				
1,25,76,358		(i) Branch adjustments ..	1,37,41,484	58		
2,08,368	1,27,84,726	(ii) Unclaimed Dividends etc. ..	4,13,983	54	1,41,55,468	12
	18,17,29,613	8. ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS per contra ..			15,75,09,621	58
		9. PROFIT AND LOSS :				
11,27,761		Profit as per last balance sheet ..	14,29,419	68		
11,00,000		Less Dividend ..	14,00,000	00		
27,761			29,419	68		
56,51,658		Add Profit for the year ..	59,70,012	50		
56,79,419			59,99,432	18		
		Less Appropriations made :				
20,00,000		To Reserve Fund Rs. 19,00,000 00				
16,00,000		To Provision for Taxes Rs. 18,50,000 00				
6,50,000	14,29,419	To Bonus to Staff Rs. 7,00,000 00	44,50,000	00	15,49,422	18
	91,51,42,060	Carried over ..			90,22,60,998	91

Bank, Limited,
31st December, 1957.

31-12-1956

PROPERTY AND ASSETS

Rs.	Rs		Rs.	nP.	Rs.	nP.
	65,39,37,364		Brought forward ..		65,91,69,303	39
		PARTICULARS OF ADVANCES :				
		(i) Debts considered good in respect of which the banking company is fully secured	..	28,38,28,459	53	
31,08,22,116		(ii) Debts considered good for which the banking company holds no other security than the debtor's' personal security	..	4,16,75,987	82	
3,55,21,181		(iii) Debts considered good secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	..	5,14,04,404	46	
3,81,88,832		(iv) Debts considered doubtful or bad, not provided for	..	Nil		
Nil				37,69,08,851	81	
38,45,32,129						
		(v) Debts due by directors or officers of the banking company or any of them either severally or jointly with any other persons	..	30,828	74	
1,28,910		(vi) Debts due by companies or firms in which the directors of the banking company are interested as directors, partners or managing agents or, in the case of private companies, as members	..	4,80,75,136	70	
2,83,79,002		(vii) Maximum total amount of advances, including temporary advances made at any time during the year to directors or managers or officers of the banking company or any of them either severally or jointly with any other persons	..	1,29,501	75	
2,01,824		(viii) Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the directors of the banking company are interested as directors, partners, or managing agents or, in the case of private companies, members	..	5,40,26,516	92	
2,92,54,701		(ix) Due from banking companies	..	61,34,559	55	
14,41,455						
		6. BILLS RECEIVABLE BEING BILLS FOR COLLECTION as per contra :				
3,25,36,141		(i) Payable in India	..	3,62,57,387	99	
3,36,41,643	6,61,77,784	(ii) Payable outside India	..	3,42,87,779	62	7,05,45,167 61
		Carried over ..				72,97,14,471 00
	72,01,15,148					

The United Commercial Balance Sheet as at

31-12-1956

CAPITAL AND LIABILITIES

Rs.	Rs.	Rs.	nP.	Rs.	nP.
	91,51,42,060				
		Brought forward ..		90,22,60,998	91
10. CONTINGENT LIABILITIES :					
(i) On Partly Paid shares	Rs. 3,95,000	00			
(ii) Claims against the banking company not acknowledged as debts	Rs. 3,02,781	36			
(iii) Guarantees given on behalf of customers and Correspondent Banks	Rs. 6,45,20,829	57			
(iv) On Foreign Bills Re-discounted all of which have run off by 1-3-58.	Rs. 66,140	65			
(v) Forward Exchange Contracts outstanding for the purchase and sale of Bills and Telegraphic Transfers of which up to 1-3-58 Rs. 14,36,77,672-24 have been delivered	Rs. 29,83,33,195	21			
(vi) Bonus claims by employees for 1950, 1951 and 1952 not acknowledged as debts and disputed by the Bank before the respective Tribunals.					
(vii) There is a liability for outstanding bills, not certified by the architects, in respect of construction of the Bank's building at New Delhi.					
(viii) A demand of Rs. 26,13,502-81 has been made for assessment year 1952-53 by the Income-tax Officer assessing the Bank in India by adopting a totally new method. The Bank has appealed against the assessment disputing the very basis of assessment and contending that there is no liability whatsoever. No provision has, therefore, been made for this demand. Accordingly, provision for later years has been made on the basis adopted all along in the past and accepted by the Department.					
	91,51,42,060			90,22,60,998	91
		TOTAL Rs. ..			

Bank, Limited, 31st December, 1957.

31-12-1956

PROPERTY AND ASSETS

Rs.	Rs.	Rs.	nP.	Rs.	nP.
		Brought forward ..		72,97,14,471	00
	72,01,15,148				
	18,17,29,613	7. CONSTITUENTS' LIABILITIES FOR ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS per contra			15,75,09,621 58
18,27,189		8. PREMISES LESS DEPRECIATION :			
5,13,821		Cost as per last balance sheet	23,41,009	94	
23,41,010		Additions (Rs. 1,35,972-99) Less deductions (Rs. Nil) during the year	1,35,972	99	
3,94,699	19,46,311		24,76,982	93	
		Less depreciation written off to date	5,23,145	58	19,53,837 35
59,55,094		9. FURNITURE AND FIXTURES LESS DEPRECIATION: (including vehicles and equipment)			
3,44,787		Cost as per last balance sheet	62,99,881	06	
62,99,881		Additions (Rs. 7,68,491-11) Less deductions (Rs. 2,17,810-80) during the year	5,50,680	31	
39,23,931	23,75,950		68,50,561	37	
		Less depreciation written off to date	43,41,714	46	25,08,846 91
21,53,125		10. OTHER ASSETS, INCLUDING SILVER :			
8,57,220		(i) Land and Buildings :			
30,10,345		Cost as per last balance sheet	Rs. 30,10,345	34	
1,81,089		Additions during the year (Premises under construction)	Rs. 18,39,058	48	
28,29,256			Rs. 48,49,403	82	
16,30,127		Less depreciation written off to date	Rs. 1,98,527	43	46,50,876 39
37,35,655		(ii) Interest accrued on Investments	14,15,093	53	
7,80,000	89,75,038	(iii) Estimated amount of refund of Income-tax and Advance payment of Tax (Income-tax assessment for six years 1952 to 1957 not yet completed)	40,23,126	25	
		(iv) Stamps and Stationery	4,85,125	90	
		(v) Silver			1,05,74,222 07
		11. NON-BANKING ASSETS ACQUIRED IN SATISFACTION OF CLAIMS			
		12. PROFIT AND LOSS			
	91,51,42,060				
		TOTAL Rs. ..		90,22,60,998 91	

The United Commercial

Profit and Loss Account for the

31-12-1956	EXPENDITURE	Rs.	nP.
Rs.			
1,17,81,166	1. Interest paid on deposits, borrowings, etc.	1,63,11,971	86
35,84,702	2. Salaries and allowances and Provident Fund (Salary, allowances and bonus of General Manager Rs. 93,000-00) . .	96,11,067	03
47,712	3. Directors' (Rs. 37,000) and Local Committee members' fees and allowances	44,560	00
12,92,829	4. Rent, Taxes, Insurance, Lighting, etc.	12,88,254	36
50,724	5. Law charges	56,559	28
5,49,187	6. Postage, Telegrams and Stamps	6,41,410	00
95,420	7. Auditors' fees for statutory and periodical audits	1,00,274	61
6,75,842	8. Depreciation on, and repairs to, the Banking Company's property . .	6,64,804	64
7,99,106	9. Stationery, Printing, Advertisement, etc.	10,84,828	74
..	10. Loss from sale of, or dealing with, non-banking assets	..	..
3,07,827	11. Other Expenditure	8,45,721	28
56,51,658	12. Balance of Profit (Subject to Taxation)	59,70,012	50
The above expenditure includes besides leave salary of Rs. 96,000/-, a sum of Rs. 50,856.-02, being ex-gratia payments by way of allow- ances for ex-General Manager.			
3,03,36,173		TOTAL Rs. . .	3,66,19,464 30

REPORT OF THE AUDITORS TO THE SHAREHOLDERS

We have audited the foregoing Balance-Sheet of The United Commercial Bank Limited, as at 31st December, 1957 and also the foregoing Profit and Loss Account of the Bank for the year ended upon that date, in which are incorporated the Branch returns audited by the Statutory or other Auditors.

In accordance with the provisions of Section 29 of the Banking Companies Act, 1949, read with the provisions to sub-sections (1) and (2) of Section 211 and sub-section (5) of Section 211 and 227 of the Companies Act, 1956, the Balance-Sheet and Profit and Loss Account are not required to be and are not drawn up in accordance with the Sixth Schedule to the Companies Act, 1956; they are, therefore, drawn up in conformity with Forms A and B of the Third Schedule to the Banking Companies Act, 1949.

We reported that:

- we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;
- the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- in our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books and proper returns adequate for the purpose of our audit have been received from the Branches of the Bank;
- the Bank's Balance-Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account and the returns;
- in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required for banking companies and on such basis the said Balance-Sheet gives a true and fair view of the state of the affairs of the Bank as at 31st December, 1957, and the Profit and Loss Account gives a true and fair view of the profit for the year ended upon that date.

CALCUTTA, 4th March, 1958.

G. P. KAPADIA & CO.)
K. N. GUTGUTIA & CO.)
RAY & RAY)
Chartered
Accountants

Bank Limited.

Year Ended 31st December, 1957.

31-12-1956	INCOME (Less provision made during the year for bad and doubtful debts and other usual or necessary provisions)	Rs.	nP.
Rs.			
1,81,98,309	1. Interest and Discount	2,57,24,445	74
1,20,13,920	2. Commission, Exchange and Brokerage	1,07,66,671	23
1,20,320	3. Rents	1,26,262	33
—	4. Net profit on sale of investments, gold and silver, land, premises and other assets (not credited to Reserve or any particular Fund or Account)	—	—
—	5. Net profit on revaluation of investments, gold and silver, land, premises and other assets (not credited to Reserves or any particular Fund or Account)	—	—
—	6. Income from non-banking assets, and profit from sale of, or dealing with, such assets	—	—
3,624	7. Other receipts	2,085	00
—	8. Loss	—	—
3,03,36,173		3,66,19,464	30

G. D. BIRLA
Chairman

S. T. SADASIVAN
General Manager

I. P. GOENKA	M. R. RUIA
A. C. LAW	M. L. DAHANUKAR
G. L. BANGUR	M. L. TAPURIAH
P. D. HIMATSINGKA	Y. N. MAFATLAL
R. L. NOPANY	G. D. KOTHARI
M. L. SHAH	T. S. RAJAM
Directors	Directors

P. R. SESHAN
Chief Accountant

The Indian Bank Limited, Madras.

PARTICULARS OF ADVANCES

	AMOUNT
	Rs. nP.
(i) Debts considered good in respect of which the Banking Company is fully secured	16,16,14,787 42
(ii) Debts considered good for which the Banking Company holds no other security than the debtor's personal security	3,11,02,791 00
Advances under Joint and several Pro.)	Rs. nP.
notes including Bills Discounted and Purchased)	2,02,76,891 90
Advances to individual parties including Bills Discounted and Purchased)	1,08,25,899 10
(iii) Debts considered good, secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	62,29,478 92
(iv) Debts due on temporary overdrafts and other advances	8,06,895 78
(v) Debts considered doubtful Or bad not provided for	Nil
Total	19,97,53,953 12
(vi) Debts due by Directors or officers of the Banking Company or any of them either severally or jointly with any other persons (of which Rs. 2,36,749 35 is fully secured)	2,44,849 05
(vii) Debts due by companies or firms in which the Directors of the Banking Company are interested as directors, partners or managing agents or in the case of private companies, as Members [of which (a) Rs. 46,97,923 80 is fully secured and (b) Rs. 60,89,327 05 is due by a company where a director of the Banking Company is an 'ex-officio' director and the advance is guaranteed by a State Government]	1,15,96,242 46
(viii) Maximum total amount of advances, including temporary advances, made at any time during the year to Directors or Managers or officers of the Banking Company or any of them either severally or jointly with any other persons (of which Rs. 2,96,888 47 is fully secured)	3,08,622 51
(ix) Maximum total amount of advances, including temporary advances granted during the year to companies or firms in which the directors of the Banking Company are interested as Directors, partners or Managing Agents or in the case of private companies, as members [of which (a) Rs. 41,03,213 03 is fully secured and (b) Rs. 82,96,756 24 is due by a company where a director of the Banking Company is an 'ex-officio' director and the advance is guaranteed by a State Government]	1,32,20,371 12
(x) Due from Banking Companies	14,37,878 51
(This forms part of the Balance Sheet.)	

We have audited the above Balance Sheet of the Indian Bank Limited as at 31st December, 1957 and also the above Profit and Loss Account of the Bank for the year ended on that date with the books of account of the Head Office and Branches, other than those in Malaya, and with certified returns from Malayan Branches and report that:

- We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- Such information and explanations have been found to be satisfactory;
- The returns received from the branches have been found adequate for the purpose of our audit;
- The transactions of the Bank as have come to our notice have been, in our opinion, within the powers of the Bank;
- In our opinion, and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required;
- In our opinion, (i) the Balance Sheet gives a true and fair view of the state of the Bank's affairs as at 31st December, 1957
 - the Profit and Loss Account gives a true and fair view of the Profit or Loss for the year ended that date and shows a true balance of profit for the period covered by the audit; and
 - proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books; and
- The Bank's Balance Sheet and the Profit and Loss Account dealt with by the Report are in agreement with the books of account and Returns.

V. SOUNDARARAJAN & CO.)
 KARRA DAKSHINAMURTHY)
 BRAHMAYYA & CO.) Auditors.
 B. PURUSHOTTAM & CO.)
 SUNDARAM & SRINIVASAN)
 Chartered Accountants.

MADRAS, Dated 13th March, 1958.

DIRECTORS :

M. A. M. MUTHIAH CHETTIAR
 R. K. VENKATACHALAM
 R. SUNDRAM IYER
 T. S. KACHAPIKESA MUDALIYAR
 O. M. SP. L. M. MEYYAPPA CHETTIAR
 M. A. MUTHIAH CHETTIAR

M. R. GURUSWAMI MUDALIAR
 K. ARUNACHALA MUDALIAR
 L. ALAGUSUNDARAM CHETTIAR
 P. V. RM. KULANDAYAN CHETTIAR
 K. BALASUBRAMANIA IYER
 E. M. MUTHAPPA CHETTIAR

S. MUTHUSWAMI
 Ag. Chief Accountant.

A. K. PRABHU
 Deputy Secretary.

D. P. PARTHASARATHY
 Secretary.

COMPANY AFFAIRS

UNITED COMMERCIAL BANK LTD.

The Profit and Loss Account for the year ended December 31, 1957 shows net profit of Rs. 59.70 lakhs. This is, however, subject to taxation and a sum of Rs. 18.50 lakhs has been separated out on that account. A sum of Rs. 19 lakhs has been transferred to Reserve Fund and another provision for bonus to staff has absorbed Rs. 7 lakhs. The Directors have recommended the payment of dividend at Rs. 3.75 per share free of income-tax as dividend. It will absorb Rs. 15 lakhs leaving a balance of Rs. 49,000 which will be carried forward to the next year's accounts.

There has been an all-round expansion in the Bank's business. The deposits have risen from Rs. 52.15 crores at the end of 1956 to Rs. 61.07 crores on December 31, 1957. The advances by way of loans, cash credits and overdrafts have increased from Rs. 22.53 crores last year to Rs. 24.69 crores during the year under review. During the year the bank opened branches at Birla Gram (Nagda), Uttarpur, Jullundur, Ludhiana, Patiala, Mylapore (Madras), Purasawalkam (Madras) and Pimpri in India and Klang in the Federation of Malaya.

THE INDIAN BANK LIMITED, MADRAS *

The Profit and Loss Account of the Bank for the year ended December 31, 1957 shows that the net profit for the year amounted to Rs. 32 lakhs. Including the sum of Rs. 8.13 lakhs carried from the previous year's account, a sum of Rs. 40.15 lakhs was at the disposal of the Directors. Out of this the Directors had paid an interim dividend at the rate of 5 per cent and a bonus of 1½ per cent (both income-tax free) which absorbed an amount of Rs. 4.23 lakhs. The Directors have recommended an additional dividend of 5 per cent and a bonus of 1½ per cent (both income-tax free) thereby making the dividend and the bonus for the year to 13 per cent. A Golden Jubilee dividend has also been paid at 2 per cent. A sum of Rs. 15 lakhs was separated as provision for taxes, and another sum of Rs. 10.57 lakhs was transferred to Reserve Fund under Section 17 of the Banking Companies Act, 1949. A sum of Rs. 1.50 lakhs was transferred to Sinking Fund, Rs. 50,000 to Development Fund, Rs. 50,000 to Gratuity Fund and Rs. 25,000 to Bank's Building Account. A balance of Rs. 2.04 lakhs was carried forward.

During the year the Bank opened a number of branches at Ayanavaram (Madras), Mint Street (Madras), Srirangam Tennur, Tiruchirapalli Cantonment, and Tallakulam (Madurai). The Bank rate which stood at 3½ per cent at the beginning of the year was raised to 4 per cent from May 16, 1957 and remained unchanged thereafter.

THE SHIVRAJPUR SYNDICATE, LTD.

Despite transport facilities continuing to be satisfactory, as also the increase in the Company's total output of ore from 83,238 tons in the previous year to 92,748 tons, the profit for the year ended November 30, 1957 of the Shivrampur Syndicate, Ltd. declined from Rs. 14,97,824 in 1955-56 to Rs. 11,33,038 during the years under review. Shipments and sales fell from 117,482 tons to 114,337 tons. The sales would have been more, but for the restricted quota granted by the Government. Because of this, the Company could not meet all its old outstanding contracts which amounted, at the close of the year, to 67,414 tons, including the carry forward from the sales to the State Trading Corporation (S.T.C.) for delivery during the July-June, 1957-58 period.

For the year 1956-57, it will be remembered, the Company had been granted a quota (for export and for rail transport) of just 73,650 tons, valid up to the end of June, 1957. For the current licensing period, the Syndicate's quota has been further reduced to 59,130 tons. As against this, the Company had shipped, by the end of November, 1957 itself, as much as 30,411 tons. The export quota for the year 1958-59 has yet to be announced. The prospects for the current year would naturally depend as much on this as on the world market trend for the ore. Lately, the directors report, there has been a marked tendency for prices to recede from the high levels witnessed for the past one or two years, especially in the case of low grade ore. Although there may be some improvement in prices towards the close of the year, the Directors are not hopeful that the high profits of the previous years would be maintained.

The profit of the Syndicate for the year under review was Rs. 11,33,038, after deducting depreciation (Rs. 5,89,230 as against Rs. 4,49,923 for the previous year) and providing for taxation (Rs. 15,75,000 as against Rs. 21,50,000) besides the usual provision for workmen's compensation reserve and retiring gratuities reserve. After all these and together with Rs. 9,485 brought forward from the previous year, the total disposable profit of the Syndicate amounted to Rs. 11,42,523. Out of this, the Development Rebate takes away Rs. 3,30,000 and the Equalisation of Dividends Reserve another Rs. 200,000. (No provision has been made for General Reserve this year). Out of the remaining sum of Rs. 612,523, the Directors have recommended a dividend of Rs. 5 per share, plus a bonus of Rs. 3 per share, both free of income tax, the two together accounting for Rs. 5,60,000. There is then left a balance of Rs. 52,523 to be carried forward to the current year.

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICE AND SECURITY PRICES

		Wholesale Prices (General Purposes Index)† Year Ended August 1939 = 100						Security Prices †† (1949-50 = 100)				
		Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.	
1947-48	..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..	
1948-49	..	382.9	444.8	327.3	346.1	625.2	376.2	..	..	..	..	
1949-50	..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..	
1950-51	..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..	
1951-52	..	398.6	591.9	374.4	401.5	721.6	434.6	..	..	..	..	
1952-53	..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..	
1953-54	..	381.4	467.7	359.2	367.4	686.6	397.5	89.7	100.6	87.3	95.0	
1954-55	..	339.8	436.2	350.3	377.4	612.4	377.4	89.8	100.7	88.4	113.0	
1955-56	..	313.2	419.8	338.2	372.9	546.4	360.4	90.0	100.8	87.3	121.6	
1956-57	..	388.5	501.9	402.3	384.6	559.3	414.0	90.0	100.1	82.9	121.2	
March 1957	..	402.7	518.1	403.3	384.1	569.6	421.3	90.0	99.0	78.6	106.9	
April	..	498.3	514.7	400.0	384.3	567.1	422.1	89.9	99.0	78.6	106.9	
May	..	419.3*	536.3	406.5	387.7*	572.3	431.2	89.9	99.1	78.4	104.5	
June	..	433.2*	541.4*	413.0	392.4	578.0	439.2	89.5	99.0	77.6	102.6	
July	..	439.8	544.4	413.3	392.3	637.1	443.5	89.2	98.7	76.7	105.5	
August	..	440.9	530.6	411.2	392.7	643.3	441.8	89.0	98.8	75.6	103.1	
September	..	424.1	525.3	409.1	394.7	644.0	435.9	89.0	98.0	74.0	99.3	
October	..	412.1	534.3	406.1	394.5	645.9	432.8	89.0	97.7	73.6	97.4	
November	..	419.5	535.2	406.7	391.0	660.6	484.7	89.1	97.7	73.3	98.7	
December	..	406.3	508.2	400.1	388.9	677.4	425.0	89.1	97.6	72.5	97.2	
January 1958	..	437.2	506.4	396.6	387.3	646.9	423.1	89.1	97.3	71.4	95.9	
February	..	399.5	491.8	390.4	386.4	630.1	416.6	89.2	97.2	71.3	96.5	
1-3-1958	..	401.2	485.1	391.9	384.1	602.4	414.8	89.2	97.2	71.2	95.4	
8-3-1958	..	399.9	492.0	391.0	385.8	602.9	415.9	89.3	97.2	71.2	96.1	
15-3-1958	..	401.6	486.1	391.6	385.2	602.4	415.5	89.3	97.2	71.0	96.2	

†Economic Adviser's Series.

c Average of weeks.

††Reserve Bank Series.

Revised*

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

period	Bombay			Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay	Ahmeda-	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras	Ludhiana†	Jamshedpur†	
		June 1934 = 100	bad July 1927 = 100						June 1936 = 100			
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	472	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	138
1951	314	330	261	142	376	461	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	330	161	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	218	130	321	371	364	133	321	134	135	132
1956	336	352	244	142	347	424	397	151	356	152	146	145
1957	352	368	259	150	364	448	—	162	375	157	158	152
1957 May	346	362	257	151	352	441	420	163	369	157	156	150
June	352	368	259	152	371	446	423	168	373	159	156	155
July	358	374	263	152	371	459	424	165	375	159	164	155
August	359	375	265	155	375	468	427	163	373	157	166	156
September	357	373	262	149	378	464	426	160	372	156	167	157
October	356	372	260	149	375	461	429	162	375	155	166	156
November	365	383	265	148	378	457	431	165	391	156	168	157
December	365	383	257	145	375	443	—	165	390	154	166	157
1958 January	362	381	—	144	368	434	—	—	387	—	—	155
February	361	380	—	143	—	427	—	—	387	—	—	—
March	—	—	—	—	—	427	—	—	385	—	—	—

†Base 1944 = 100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	28-3-1958			21-3-1958			14-3-1958			7-3-1958		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
*Gold (per fine tola)	112.34	110.75	111.53	112.28	111.75	112.07	113.19	111.69	112.56	113.19	111.69	112.43
*Silver (per 100 fine tolas)	195.87	194.56	195.16	195.25	193.69	194.65	195.25	190.94	193.33	193.50	191.37	192.41

* Provisional.

April 11, 1958.

THE EASTERN ECONOMIST

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NET NATIONAL OUTPUT AT 1948-49 PRICES

(In Rs. abja*)

	1956-57†	1955-56	1954-55	1953-54	1952-53	1951-52	1950-51	1949-50	1948-49
1. Agriculture, animal husbandry and ancillary activities (a)	52.6	50.2	50.3	49.8	46.0	44.4	43.4	43.6	42.5
2. Mining, manufacturing and small enterprises	18.4	17.6	17.0	16.5	15.8	15.2	14.8	14.6	14.8
3. Commerce, Transport and Communications	20.8	19.7	19.1	18.3	17.9	17.3	16.6	16.4	16.0
4. Other Services (b)	18.2	17.3	16.4	15.7	15.0	14.3	13.9	13.8	13.4
5. Net domestic product at factor cost	110.0	104.8	102.8	100.3	94.7	91.2	88.7	88.4	86.7
6. Net earned income from abroad	0.1	0.0	0.0	0.0	-0.1	-0.2	-0.2	-0.2	-0.2
7. Net national output at factor cost = national income	110.1	104.8	102.8	100.3	94.6	91.0	88.5	88.2	86.5

(a) Including forestry and fishery.

(b) Comprising professions and liberal arts, Government services (administration) domestic service and house property.

*Abja=100 crores.

†Preliminary.

NET NATIONAL OUTPUT AT CURRENT PRICES

(In Rs. abja*)

	1956-57†	1955-56	1954-55	1953-54	1952-53	1951-52	1950-51	1949-50	1948-49
1. Agriculture, animal husbandry and ancillary activities(a)	56.9	45.3	43.5	53.1	48.1	50.2	48.9	44.9	42.5
2. Mining, manufacturing and small enterprises	19.7	18.5	18.0	17.7	17.0	16.8	15.3	15.0	14.8
3. Commerce, transport and communications	19.3	18.8	18.1	18.0	17.8	17.9	16.9	16.6	16.0
4. Other services(b)	18.1	17.3	16.5	16.0	15.4	15.0	14.4	13.8	13.4
5. Net domestic product at factor cost	114.0	99.9	96.1	104.8	98.3	99.9	95.5	90.3	86.7
6. Net earned income from abroad	0.1	0.0	0.0	0.0	-0.1	-0.2	-0.2	-0.2	-0.2
7. Net national output at factor cost = national income	114.1	99.9	96.1	104.8	98.2	99.7	95.3	90.1	86.5

(a) Including forestry and fishery.

(b) Comprising professions and liberal arts, Government services (administration) domestic service and house property.

*Abja=100 crores.

†Preliminary.

NET NATIONAL OUTPUT AT CURRENT AND CONSTANT PRICES

	1956-57†	1955-56	1954-55	1953-54	1952-53	1951-52	1950-51	1949-50	1948-49
Net output in Rs. abja*	114.1	99.9	96.1	104.8	98.2	99.7	95.3	90.1	86.5
1. At current prices	110.1	104.8	102.8	100.3	94.6	91.0	88.5	88.2	86.5
2. At 1948-49 prices	—	—	—	—	—	—	—	—	—
Per capita net output in Rupees	294.3	260.8	254.2	280.7	266.4	274.0	265.2	253.9	246.9
3. At current prices	284.0	273.6	271.9	268.7	256.6	250.1	246.3	248.6	246.9
4. At 1948-49 prices	—	—	—	—	—	—	—	—	—
Index number of net output with 1948-49 as base	131.9	115.5	111.1	121.2	113.5	115.3	110.2	104.2	100.0
5. At current prices	127.3	121.2	118.8	116.0	109.4	105.2	102.3	102.0	100.0
6. At 1948-49 prices	—	—	—	—	—	—	—	—	—
Index number of per capita net output with 1948-49 as base	119.2	105.6	103.0	113.7	107.9	111.0	107.4	102.8	100.0
7. At current prices	115.0	110.8	110.1	108.8	103.9	101.3	99.8	100.7	100.0
8. At 1948-49 prices	—	—	—	—	—	—	—	—	—

†Preliminary.

*Abja=100 crores.

ATUL

DYES

CHEMICALS

PHARMACEUTICALS



Printed and Published by Devi Prasad Sharma at the Hindustan Times Press,
for "The Eastern Economist" Ltd., 52, Jan Path, New Delhi. Editor:—E. P. W da Costa, M. A. (Oxon.)

The Eastern Economist

VOL. XXX. NO. 16.

NEW DELHI: APRIL 18, 1958.

ONE RUPEE

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Changing Its Spots

AT its extraordinary Congress at Amritsar the Communist Party of India has amended both its organisational structure and political objective. Instead of the conspiratorial "cells" based on profession of its members, the Communist Party of India is now to have "branches" organised on territorial basis. The 9-member Politburo has been renamed Secretariat, while the 39-member Central Committee has been replaced by a 25-member Central Executive. Additionally—and this is an innovation—there is a 101-member National Council, which will be the highest body in the Party functioning between any two of its Congresses. The National Council is to meet at least twice a year for reviewing the Central Executive's work in implementation of the policy laid down at the Party Congress, and, if need be, to lay down a new party "line" in consonance with changed national and international situations. Parallel with this organisational change, the Preamble of the Party's Constitution has been amended to define the Party's objective as "socialism through peaceful means". Besides, the Party has accepted the bourgeois concept of freedom of speech, Press and association and even the right of opposition parties to function free-

ly under a Communist regime, albeit "so long as they abide by the Constitution of the country".

The organisational changes introduced in the Party are not, as the Communists would have us believe, a step towards "liberalisation" and "democratization". In fact, a closer examination of the changes would show that power has been concentrated in fewer hands in the higher organs of the Party. The amendment of the Preamble, especially the acceptance of the right of opposition, however, marks a shift. The Communist Party of India is now the only Communist Party other than that of Great Britain to grant that "right". But the new Preamble of the constitution of India's Communist Party also brings it closer, in its professions, to social democratic parties which accept possibility of gradual transformation to socialism. Marx and Engels, the founding fathers of "scientific socialism", and Lenin and Stalin, their "faithful disciples", on the contrary, fanatically held and passionately preached the "historical" and "scientific" view that "force was the midwife of every old society pregnant with a new one".

The shift in the policy of Indian Communists, therefore, raises some pertinent questions: "Why

have they "revised" their objective? And why have they done so at a time when international Communism, under the aegis of Moscow and Peking, is fervently advocating a "relentless war against revisionists and revisionism"? It may be recalled that at its last Congress at Palghat, about two years ago, the Communist Party of India was reluctant to accept even the hypothetical possibility of "socialism through peaceful means". The position evidently changed after the formation of the Communist Government in Kerala. This brought home to the leaders of the Communist Party of India the feasibility of capturing power through peaceful means in other States also. In order to be able to achieve this objective, the Party should, it was realised, take steps to assure the Indian middle class about the *bona fides* of the Communists as *democrats* and *nationalists*. The guarantee of individual liberty, freedom of speech, Press and association, including the right of political organisation under a Communist regime is calculated to remove the suspicions of this class which hates violence and revolutionary change. In his speech, Mr. S. A. Dange in point of fact made this all too clear. He observed that the aim of the Communists was not merely to overthrow the "corrupt Congress regime but also to instal themselves in power." The political resolution makes this even more explicit: "The process begun in Kerala can be carried forward towards the establishment of democratic governments in some other States, and finally in India as a whole."

Much store is clearly laid by the Communists on their reading that the ruling Congress Party is "increasingly losing its hold", over the "advanced democratic masses" due to "factional squabbles inside the party" and "moral decline" among its members. In fact, to the Communists power today appears within easy reach and they are anxious to grab it as quickly as possible. They are prepared to make necessary adjustments for achieving this object. This conclusion is amply borne out by the fact that in the Amritsar Congress' formulation of the "tasks before the Party", the "class" demands have scrupulously been eschewed. Instead, the emphasis is on the demands common to the Indian people as a whole. The resolution states, "the Party will strive to unite and lead all patriotic and democratic forces in the country in the struggle for defence and consolidation of national freedom, strengthening of national economy, all-sided expansion of democracy, liquidation of feudal survivals and the evil heritage of foreign rule in the economic, cultural and social spheres, realisation of the targets of the second Five-Year Plan, ceiling on profits of British and Indian monopolists and effective State control over them in national interest". Since public opinion—especially middle class opinion

—in India attaches considerable importance to moral and spiritual values, the Communist Party has enjoined on its members "a high standard of personal integrity and unostentatious life and display of humility in all their dealings and conduct with the people". An appeal has also been issued to Leftist democratic parties to join hands with the Communists to fight "reactionary forces" in the country. Clearly, the new Communist strategy is to climb to power by what may be described as *salami* tactics.

Besides, the "reforms" have been introduced from above because there was a contingent threat of those "reforms" being pressed from below. It is no secret that a rank and file revolt has been simmering within the Indian Communist Party ever since the denigration of Stalin at the 20th Congress of the Communist Party of the Soviet Union and, more especially, since Russia's armed intervention in Hungary. Faced with this danger, the three principal contenders for power in the Party — Mr. Ajoy Kumar Ghosh, Mr. B. T. Randaiya, and Mr. P. C. Joshi — joined hands, for the first time during the last ten years, for nipping the "revisionist" danger in the bud. The reimposition of the clause of "candidate membership" should also seem to confirm that the danger of revolt from within was felt strongly at Amritsar.

It is significant that the stipulation guaranteeing right of political organisation even under a Communist Government did not figure in the official draft. It came in the form of an amendment. Sensing the "feeling of the house," the leadership reluctantly gave in but added the words "so long as they (opposition political parties) abide by the constitution of the country"—a parenthesis which literally takes away much of the force of the amendment. The Preamble, as finally adopted, therefore, implies that under a Communist regime no party will be allowed to challenge its premises and "principles". Moreover, once the Communists are in power, they will have little compunction in changing the constitution and establishing "dictatorship of the proletariat". Have not Mao Tse-tung's "hundred flowers" withered? And has not de-Stalinization in Russia led to the emergence of a new Stalin? The unequivocal statement of the democratically elected Communist Chief Minister of Kerala, Mr. E. M. S. Namboodripad, to the correspondent of the *New York Times* can be ignored only at peril. He asserted that "force had not been abandoned unconditionally, but it had been dropped under present conditions and for the foreseeable future." It will be, therefore, a major tragedy if the democratic forces fail to realise the concealed nature of the Communist challenge and mistake a change in Communist tactics for a change in Communist doctrine.

The Okhla Industrial Estate

THE industrial estate which was opened at Okhla, a suburb of Delhi, on April 12, offers a model in many respects. Its planning represents an imaginative approach to the problem of small industry. The lay-out, provisions of cheap water and electricity supply, conservancy services, amenities to workers, as well as facilities of transport, communications and banking, mark a new phase in the concentrated development of small and medium-scale industrial units, breaking their isolation and lifting them from their suffocated existence in slum areas. The concentration im-

plies economies in training and marketing, both factors of importance.

This in fact is the outstanding feature of the premier industrial estate inaugurated at Okhla. The technical guidance and training centre, set up under the control and direction of the Regional Small Industries Service Institute, New Delhi accommodates a variety of machines to suit the requirements of operators from different industries. Such training centres as also service and repair centres will form essential parts of indus-

trial estates. But the distinctive gain of Okhla consists in the location, in close proximity with it, of the Indo-German proto-type production-cum-training centre. This project, which was conceived on the occasion of the Prime Minister's visit to West Germany, involves an outlay of a little below Rs. 1 crore of which the German contribution is to consist of 60 per cent in the form of machinery and equipment. The ground-work of training facilities and manufacturing proto-type machines and machine tools suited to the requirements of small industries will be prepared in the initial period of three years by twenty-four German technical experts. In the final stage, this centre will be manned by sixty-five technicians on the regular staff. Apart from the fact that it will turn out technicians and skilled artisans at the rate of 500 per annum, its most solid service will be in the sphere of proto-type machine manufacture. Okhla will be more favourably placed than any other industrial estate to derive benefit from this novel source.

Okhla essentially represents a new phase in the growth of small and medium industries on the periphery of an urban centre. Some prejudice still persists against this type of development on the ground that it tends to perpetuate rather than ease the problem of concentration. This is patently an error since removal of units away from congested urban areas breaks the concentration. The inherent advantages of location cannot be discarded in the name of dispersal. A sector of these industries will need to function in an ancillary or complementary capacity in relation to large-scale units and they can thrive best only if they function on this basis. The development of decentralised industries will need to proceed simultaneously on the periphery of industrial

towns and cities as well as in rural areas. Workshop repair and maintenance facilities for groups of villages constitute a distinct and integral part of industrial development at the medium level and below in the second Five-Year Plan. Whether location is fixed in the rural or outer urban areas, the health and growth of decentralised industries will be conditioned by the extent to which they are invigorated by modern techniques suited to their scale of operation and tested in other countries. The concept of industrial estates accepted in our country owes not a little to the successful experiment in Britain and Japan.

The programme of industrial estates to be implemented in the second Plan period must be regarded as tentative. Provision has been made for an outlay of Rs. 10 crores over the five years on the assumption that large estates will require expenditure of Rs. 40 to Rs. 50 lakhs per estate and small estates will need Rs. 20 to Rs. 25 lakhs. On this estimate, not more than 50 small estates or 25 large estates can be set up. The ten large and eight small estates projected as a start would absorb between them Rs. 6 crores out of Rs. 10 crores which is the total allotment. Obviously, therefore, the target of 100 estates goes beyond the present Plan. The Union Minister for Industry has disclosed quite recently that a sum of Rs. 15 crores has been ear-marked for industrial estates in the Community Development and National Extension Service areas which can only be a revised allocation outside the original scheme. It is problematical how far this allocation can be put to proper use in the short period of three years. Besides, the past record of Community Development authorities in husbanding their resources is anything but edifying. Solicitude for a high target threatens to undermine sound growth of this strategic programme.

Accent on Marketing Research

THE unusual emphasis given by Mr. S. H. Turner, Chairman of Hindustan Lever in his Annual Address to shareholders to the problem of Marketing Research in his company's organisation, has had the welcome effect of directing pointed attention to a vital gap in the Indian economy. It is notoriously true that Indian salesmanship is unimaginative. The knowledge of markets is poor even in the cotton textile industry, which has had a hundred years of sales and a crisis of great magnitude at least once in each decade and sometimes much more frequently. The question, therefore, has naturally arisen as to the extent to which the tool on which Mr. Turner concentrated, is a solvent of the problems that face the economy at this time. Mr. Turner's answer which was printed in full in *The Eastern Economist* last week, is one worth studying not merely because of its fine balance in the assessment of the tool itself but also because it shows exactly how it has been used. So far as the new products are concerned the case for marketing research as presented by him is unassailable.

One of the great weaknesses of economic research in this country is that it has been severely analytic in the sense that it has tried to work from "overall" figures to detailed recommendations in no way written into the overall figures. Thus a demand for cotton textiles in general is by no means a demand for cloth produced in a particular factory at a particular price. Every marketing research problem is, in a sense, a three-dimensional one. One of the independent vari-

ables is certainly consumer expenditure as a whole, but the other two are of almost equal or even greater importance; the price of the particular product, and the marginal preferences of the consumer in spending his income on this or other products which may be on the border line. It is the purpose of marketing research to produce a good analysis, not only of the structure of the consumer expenditure in general, but of the detailed elements which go to make up the demand for each product by region and even by city, town or village.

It is for this reason that the consumer expenditure studies of the National Sample Survey, which have tended to concentrate on monetary totals, have been on the whole wasteful and disappointing. Year after year the National Sample Survey has obtained, at enormous cost, figures of total expenditure by regions and by urban and rural classification which can only be meaningful if prices were constant, and if the changes in total income in each particular case were alongside the figures for consumer expenditure so that one might know how saving and expenditure are behaving in relation to one another. As the figures appear at the present time, partly because price nowhere enters into an analysis of the total spent on each product and the total income in the area is not indicated, one has a broad picture of the amounts spent without being able to draw from these figures any significant consequence of marketing importance. It is time to recognise that this momentous experiment should be scru-

tinized carefully by independent experts. The fact that the failure has been painful to the tune of some crores of rupees makes it a reprehensible one.

Not, indeed, that the sampling method for which Prof. P. C. Mahalanobis should rightly be given major credit in this country is at all times ineffective. Marketing research is essentially an exercise in the use of the sampling technique. It can be used, as the example of the Hindustan Lever shows, with great power to eliminate dark areas of the economy. The consumption expenditure studies of the National Sample Survey have failed in this respect because of the exclusion of all other determinants?

The choice of consumer expenditure for a national survey was unfortunate for another technical reason. In the analysis of all markets, and indeed in the whole field of public opinion and marketing research, it has been invariably found that the areas of doubt are greatest in respect of matters relating to consumption. This is in part because the details are so overwhelming that almost no one can maintain a continuous

record in detail. It is also because in the last analysis even when records are maintained, the reasons why the figures are what they are rests deep in the subconscious. The attempt to give precise mathematical formulation to one of the most recondite elements in economic behaviour has proved only partially rewarding.

Thus it is that one can applaud the beginning of the National Sample Survey and the great skill which business concerns like Hindustan Lever have shown in the use of a tool of obvious power. The time has, however, come when there must be a meeting of business men with the designers of the National Sample Survey in order that the great waste of national resources which takes place by misdirected enquiries of this kind should be reduced. One of the best means by which the waste can be reduced is, paradoxically, by making the enquiry more complete, in particular so as to cover income and saving at the same time as the consumer expenditure, and including prices of products. The Planning Commission should seek, at the earliest possible moment, a new design for the National Sample Survey to set it profitably in the context of current research.

The Economy of Britain

THE problems facing the United Kingdom economy in 1958 are not substantially different from the ones it had last year. But, at least, they are expected to be less critical and depressing. This cautious optimism finds expression in the *Economic Survey* for 1958. The roots of this optimism may be traced to the success which attended the Government's anti-inflationary measures in the latter part of last year. The then 'crisis of confidence' in sterling — a crisis caused by a rise in prices following the wage increases in the earlier part of that year — had to be subdued by raising the Bank Rate from 5 to 7 per cent to stop speculation against sterling, by restricting bank advances and by restraining the upward trend in public investment. Having come through this severe crisis, the economy is now better poised to tackle the continuing problem of rising prices and costs. The two salutary factors in the present situation are the recent fall in import prices which at the end of 1957 were 8 per cent lower than at the beginning and the equally recent check on the long upward movement of export prices. These two factors provide "a good opportunity in 1958 to stop the rise in prices which had troubled the country for twenty years". With the likely keeping down of prices and the expected substantial current surplus on balance of payments in 1958, the maintenance of the internal and external value of sterling is quite a probability.

These are not the only hopeful factors in the situation. With the continued easing of the pressure of demand on productive resources, further industrial expansion is now rendered possible, not by increases in fixed investments, but by the store of additional capacity resulting from the high investment of recent years. Incidentally, the recent changes in the pattern of investment are worthy of particular note. For example, total private investment (excluding housing) in 1948 prices has grown from £738 million in 1951 to £1,095 million in 1957, that is, by nearly 50 per cent; public investment, on the other hand, has grown from £593 million in the former year to £789 million in the latter, that is, by about one-third only. The growth of private investment in

housing has been even more spectacular: it has risen from £49 million in 1951 to £203 million in 1957. Public investment in housing, on the other hand, has fallen from £267 million in the former year to £236 million in the latter. These figures are an eloquent tribute to the flexibility and pragmatism of the British who are making a success of their mixed economy.

Perhaps the most hopeful trend is that with the fall in import prices, the cost factor may also be expected to be favourable to increasing or at least maintaining exports. This is, of course, on the assumption that there may not be substantial wage increases to inflate costs and thus offset the advantage of lower import prices.

It is precisely because of this dependence on international trade that the United Kingdom economy cannot be isolated from world economic developments. Although the United States Government are confident they can effectively prevent, as in 1953, the current recession in their country from becoming a serious decline, the British Government have drawn pointed attention to three anxious factors. One of these is that whereas in 1953 the rest of the world was gaining gold and dollar reserves from the United States, most countries now barring West Germany have been losing reserves. Secondly, this time the fall in certain commodity prices is adversely affecting the trade balances of some primary producing countries. And thirdly, there is no likelihood, as in 1953, of industrial expansion in Europe outweighing the recession in the United States. Even if this is a pessimistic approach, it will have done some good in so far as it may influence the United States Government to take special measures to halt the recession in their own as well as their allies' interests. Most countries in the Sterling Area including the United Kingdom are, of course, very much interested in an early halt to the recession. The reason for this interest is that the recession is reducing the non-sterling earnings of the other countries of the Sterling Area with the result that these countries have less of sterling in exchange for them in London and the United Kingdom has thus less of non-sterling earnings to meet its own deficit with the non-sterling world.

THE WEEK'S NOTES

CONFUSION OVER KASHMIR

DR. FRANK GRAHAM, the United Nations Representative, has made his export to his principals in New York. As was to be expected, India has found his five recommendations "unacceptable", while Pakistan has accepted them "in principle". Among Dr. Graham's recommendations two were such that had India accepted them she would expose herself to inconsistency. To sit at a common table with the representative of the country she brands aggressive would be tantamount to acquiescence in aggression, even though a man like Dr. Graham provided the buttpieces. Dr. Graham's recommendation in favour of positioning a United Nations Force on the Pakistan side of the Indo-Pakistan border near Kashmir carried implication which would be doing violence to India's basic foreign policy. India has never liked the presence of foreign troops in any country, much less in its own territory, illegally occupied by a neighbouring country.

But howsoever justified India's rejection may be, it is likely to create the unnecessary impression of obduracy and defiance of international public opinion. She has got into that unfortunate position by a series of mistakes. In retrospect, India's basic mistake was when in a flush of liberalism and neighbourly love, she moved the United Nations under an article of the United Nations Charter which made it well-nigh impossible to obtain a verdict of aggressor against Pakistan. The complaint merely intimated the United Nations that a situation had arisen in the Kashmir part of the Indo-Pakistan sub-continent which was likely to endanger peace in the area. It was also wrong on India's part to make in the prevailing circumstances an offer to hold a plebiscite after the Pakistan army had withdrawn.

The situation thus confused became worse founded at the hands of Mr. V. K. Krishna Menon, India's chief spokesman on the subject. He seems to have been more interested in creating a record for marathon speeches, by referring to unnecessary details, than in presenting India's case tersely and tellingly. He, in fact, wittingly or unwittingly, buried the facts of the case in a mountain of words and fury. What was needed to be stated, and asserted, again and again, was that the United Nations Commission's recommendation for the withdrawal of Pakistan's forces from the territory of the erstwhile State of Jammu and Kashmir had not been implemented. The Commission made that recommendation as early as August 1948. During these ten years, neither has Pakistan withdrawn its forces, nor has the United Nations forced or persuaded it to do so. Pakistan is said to have even rejected Mr. Nehru's informal suggestion to partition Kashmir along the present cease-fire line. Moreover, the political instability in Pakistan makes fruitful negotiations between the heads of the two Governments difficult, if not impossible. In fact, the internal political situation in Pakistan is so uncertain that it is difficult to feel assured that any understanding with a particular Prime Minister will be acceptable to his successor in that changeful country which has yet to have a general election.

During the last ten years in which India's complaint has been pending before the United Nations, "political, economic, and strategic factors surrounding the whole of the Kashmir question" have, as noted by Mr. Gunnar Jarring, changed. These vital changes, the United Nations, leisurely handling of the issue and the fact that the future of the people of Kashmir could not be allowed to remain uncertain and undecided, have made the offer of a plebiscite untenable. There is no reason for India to fight shy of asserting this

publicly, frankly and unequivocally. Ambiguous language, circumlocution and unnecessary verbiage, of which Mr. Krishna Menon has been guilty, have unfortunately given the impression of double-talk on the part of India. This impression should not be allowed to remain. The consequence may be harmful to her vital national interest and international prestige.

TOWARDS SOCIALIST UNITY?

IT APPEARS that a new round of talks might soon begin for the merger of the Praja-Socialist and Socialist Parties. Mr. P. V. G. Raju, once the most trusted lieutenant of the Socialist leader, has come out openly against Dr. Lohia's "touch me not" politics and pleaded for socialist unity on "equal terms" through a compromise between Mr. Asoka Mehta's theory of "compulsion of backward economy" and Dr. Lohia's "theory of equi-distance". He has also denounced Dr. Lohia's meeting with the Dravida Kazhagam leader and characterized the party's satyagraha as "pure adventurism". Dr. Lohia sticks stubbornly, no doubt, to his conditions, that the Socialist Party's constitution, rules, programme and flag should be accepted by the Praja-Socialist Party before unity between the two parties can be considered. He has even threatened to quit the Socialist Party, founded by him some three years ago, should socialist unity be achieved on any other basis: "acts of politicians should have some sanctity, some continued validity, particularly in respect of conduct, such as entry into or exit from a political party". Dr. Lohia has also threatened to take disciplinary action against those who publicly plead for the merger. Ironically enough, it was for the vindication of this very right that he and Mr. Madhu Limaye left the Praja-Socialist Party and founded the present one.

In spite of, or perhaps because of, Dr. Lohia's irrational and incongruous stand, it would not be surprising if the Socialists decide in favour of merger with the Praja-Socialist Party at their forthcoming Congress at Gaya. This will be largely the result of dissatisfaction with his thesis of "permanent civil disobedience" and the utter impracticability of seven-year plan to capture power. It is also due in part to the realization by the Socialists of the "developing national crisis" referred to by Mr. Jaya Prakash Narayan in a recent speech at Bombay. Mr. Narayan seems to have had in mind the decreasing popularity of the Congress, and progressive crystallization into extreme Left and Right in the country on account of dissensions within the Socialist movement. If, instead of wasting their energies in futile wrangling, Socialists of all shades of thought could unite—for practical, if no other reason—into a single well-knit party with a constructive programme, not only would this anti-democratic trend be stopped; it would inevitably lead to the emergence of a democratic alternative to the Congress Party.

SUPPLY OF ENGINEERS—A COLOSSAL PROBLEM

PROF. MAHALANOBIS' address at the Central and State Manpower Officers' Conference held here early this week cannot fail to impress upon the country the magnitude of the problem of the supply of engineers—a problem which is literally colossal. It is not necessary to burden this brief note with international comparisons about the statistical position of the outturn of engineers which he gave. But the case of China, which he cited, is full of meaning for us. It would appear that at the present time the available number of engineers in India and China ranges around 70,000. But China's rate of increase of engineers per year has been mentioned by Prof. Mahalanobis to be of the order of 20,000. Whether this number represents engineering

graduates or degree holders and diploma holders together is not clear. But this figure surpasses India's outturn by a substantial margin.

There is a note of resignation in Prof. Mahalanobis' speech about the prospect of the supply of engineers for the industrial requirements of the second Plan. He has stated point-blank that India is unable to do anything by way of improving the prospect of supply of engineers during this Plan. He has, however, emphasised that by 1961 we will have to make provision in our engineering colleges for admitting 15,000 to 16,000 students per year. He has uttered a warning that if we cannot make this provision, the shortage in the third and fourth Plans will be acute. In this context it is relevant to recall that the Engineering Personnel Committee recommended in its report that 18 engineering colleges and 62 polytechnics should be established during the present Plan period. Even then, the Committee observed that there would be a shortage in 1961 of 1,000 engineers and 8,000 technicians. The action recommended by the All-India Council of Technical Education on this recommendation is to establish 5 colleges and 22 polytechnics plus 61 junior technical institutes. Thus it is clear that the Engineering Personnel Committee's plan for engineering manpower at the graduate level and also below has been drastically cut down. The outturn of 7,500 engineering graduates per year in 1961 which is envisaged, on the assumption that the additional 18 engineering colleges would be established, will not materialise. This unhappy prospect should also make it clear that the requirements of 15,000 to 16,000 students to be newly admitted in the engineering colleges in 1961, according to Prof. Mahalanobis' estimate, will be extremely difficult to be fulfilled.

CANADIAN ELECTIONS

MR. JOHN Diefenbaker's decision to go to the polls nine months after the last Canadian elections has been justified by the results. He will not now head a minority Government. His Conservative Party has won 209 seats in a 265-member House, as compared to 113. The strength of the Liberal Party has been pared down from 106 to 49. Of the others, the Co-operative Commonwealth Federation's strength has been reduced from 25 to 8, and the Social Credit Party has lost all its 19 seats. The Independents have been eliminated from the Canadian parliamentary scene. Apparently, Canada is well on the way of a two-party democracy.

The Conservative victory in June last was attributed to the desire of Canada's voters to teach to Mr. Mackenzie King's political heirs a lesson. They were said to have become "hubristic" after remaining in power for 22 years. That the voters had not acted whimsically is proved by the overwhelming majority they have given to Mr. Diefenbaker this time. Even the growing unemployment and the end of the business boom, which happened to coincide with his nine months' rule, has not changed their mind. Doubtless, the landslide victory is also a tribute to Mr. Diefenbaker for the manner in which he ran his last Ministry. Taxes were cut, pensions were raised, agricultural prices were stabilized and the provincial Governments were appeased by increased subsidies. In his election campaign, too, Mr. Diefenbaker concentrated on domestic problems. He tried to lay at rest the misgivings that the Canadians tend to entertain about their southern neighbour by promising closer relation with Britain and the Commonwealth. Mr. Lester Pearson, leader of the Liberal Party gave priority, on the other hand, to international affairs in his election campaign. This, as well as his immense personal prestige abroad, failed, however, to be of much help.

For Mr. Diefenbaker now the most pressing problem will be the economic situation in the country. It will no longer be possible for him to attribute failure to meet the situation to the legacy of the long years

of Liberal rule which could not be corrected with a slender majority in a short enough time. However, if the Conservatives play their cards well, the party, which Mr. Mackenzie King once led with distinction, may remain out of office for some considerable time to come.

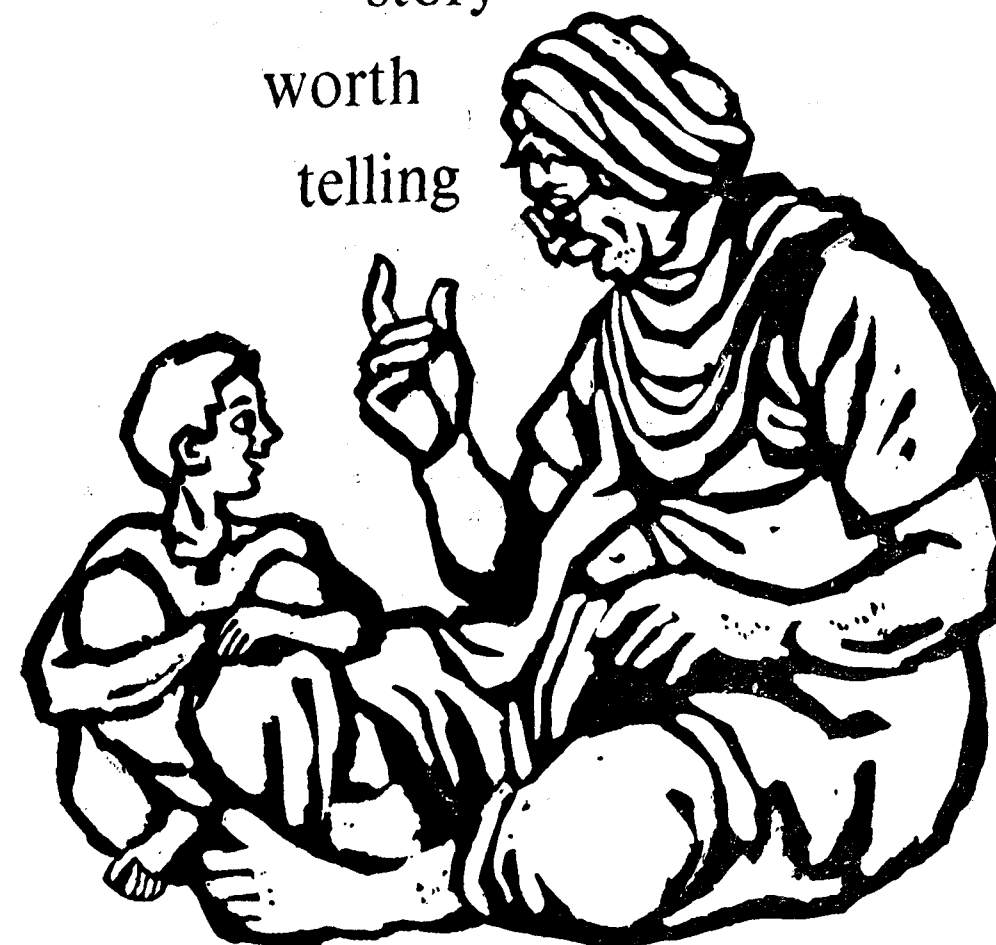
MR. KHRUSHCHEV IN HUNGARY

SOON AFTER becoming supreme in Russia, Mr. Nikita Khrushchev visited Budapest to grace the celebrations of the 13th anniversary of Hungary's "liberation" from the Nazis. In the course of his several speeches, full of professions of "proletarian solidarity", "Communist comradeship" and "warm friendship", he reiterated that Russia's armed intervention in Hungary in October 1956 was at the instance of "the Party and Government of the Hungarian working class". This was perhaps an odd way of squaring his conscience with the grim fact of Hungary's brutal suppression by his country in the autumn of 1956. But his assertions were patently false. Neither the Government headed by Mr. Imre Nagy ever appealed to Russia to help quell the "hordes of counter-revolutionaries who had invaded Hungary", nor had the Hungarian Communist Party, before its barbarous truncation, ever officially approached the Soviet Union to intervene. The facts of the case, as narrated by the United Nations Commission on Hungary, tell a tale which, to say the least, is not complimentary to Mr. Khrushchev and his Russia. Russia's intervention was a pure and simple act of imperialist aggression in some ways even more odious than the Anglo-French invasion of Egypt at about the same time. Unwittingly, Mr. Khrushchev himself made a startling admission about the nature of the Hungarian uprising. He said that the decision to send Soviet troops was taken "with difficulty because a section of the Hungarian workers was also fighting on the side of the counter-revolution". This statement, which is at variance with the official version, vindicates the free world's contention that the revolt in Hungary was a people's revolt and was suppressed by Russia's armed might. Without admitting this fact, it would be difficult to explain why, even after the suppression of the revolt, did the Hungarian Workers' Councils demand withdrawal of foreign troops, free elections, freedom of speech and right to form political parties. And how did the Councils manage to organise a countrywide successful strike? No doubt, in the end, the Russian army and police proved stronger and the popular resistance was overcome. But the people remain sullen and un-co-operative even to this day. Mr. Janos Kadar's regime is hated and rests on Russian bayonets. Falling productivity and official wails over sagging industries are some of the indications to this fact. The Russians are, therefore, greatly concerned about this continuing crisis in an outlying province of their empire. Mr. Khrushchev's visit was thus a repairing and morale boosting mission.

Doubtless, Mr. Khrushchev, has offered to withdraw Russian forces from Hungary (as well as other countries of Eastern Europe) "the moment the Hungarian people and Government would ask Russia to do so. But he must have known beforehand that the people there have no means of expressing their wishes. Mr. Kadar's regime, as is well-known, is operated from Moscow. Moreover, Mr. Khrushchev warned the Hungarian people, in the same speech, "not to lose step in future and be wise to the tricks of the enemy so that we should not have to come to your assistance". He further declared that "if another provocation is undertaken against any socialist country, the provocateurs will be up against the entire socialist camp". The Hungarians well understand the veiled threat. Mr. Khrushchev's pronouncements in Hungary, therefore, can neither erase the bitterness of the Hungarians over the Soviet yoke, nor warrant the assumption that the Russian grip would be loosened.

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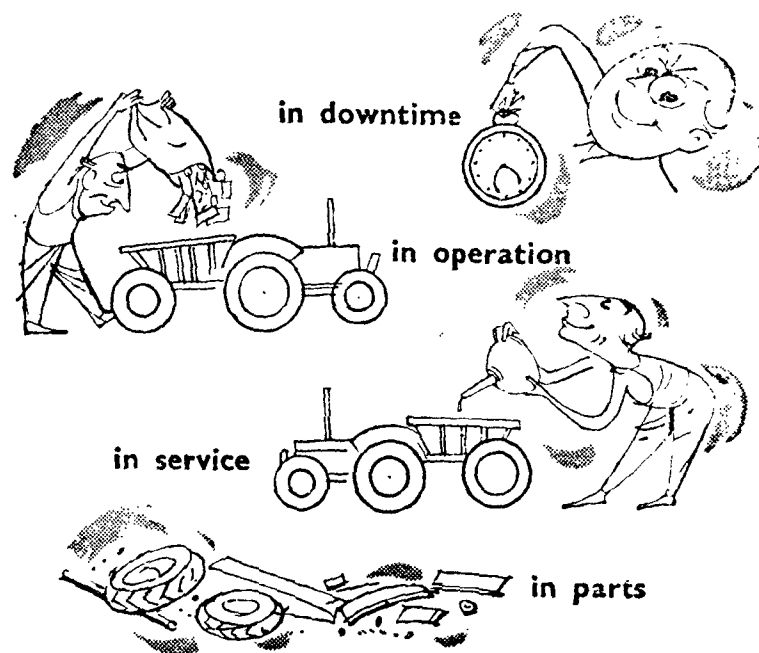
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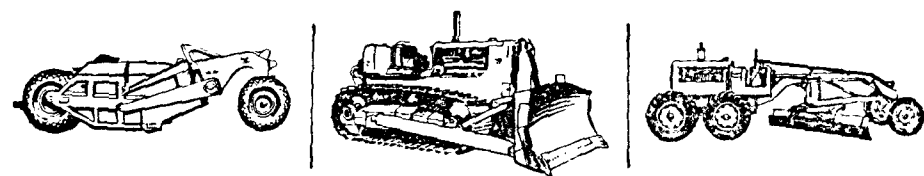
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A Window on the World

THE COMMONWEALTH AND THE EUROPEAN COMMON MARKET

By
ODYSSEUS

WHERE ARE compensations for growing older. As annually, I find myself unavoidably adding to the panorama of experience of men and affairs on which I look back, one of the most heartening facts that presents itself is the multiplication of examples of the adaptability of man and his readiness over a period of years to modify his opinions and his policies in the light of experience.

I am prompted to these sententious reflections by contemplating the reactions of the UK to the continental European scheme for a Common Market.

It is all very well for French spokesmen to announce that the Free Trade Area scheme could never be got through their Legislature, so hostile is French opinion to it. It is about time that they recognised that other democracies also have public opinions which have to be taken into account. What is more, UK opinion has since the war shown itself infinitely more flexible than French in response to changing circumstances, all the way from the independence of India down to the Free Trade Area. That the response of British industrial and trades union opinion was favourable to the government's lead in putting forward the FTA scheme as a means of associating the UK with the European Common Market is a remarkable tribute to their adaptability to new circumstances, when you remember how impregnated with Protectionism and the Imperial Preference idea UK industrialists and workers had become since the Ottawa conference of 1932.

But, as our well informed Special West European Correspondent reported from the beginning, the French reaction to the British FTA plan was hostile. In effect, the French said: "You British pat yourselves on the back for being good Europeans because you want to sell in our market, but you don't want us to sell our agricultural produce in the UK, and you want to retain Imperial Preference on the whole Commonwealth market." Although this argument forgets that the UK is ready to have French manufactures competing freely in its domestic market, there is otherwise sufficient substance in it to require an answer. Further, the French complain that the basic objective of the ECM is political—the promotion of European integration—and that the abolition of tariffs between members was an economic sacrifice to gain a political end.

These points of view are so foreign to the outlook of the average UK industrialist and worker that they are only just beginning to seep down to the lower levels of opinion. What, however, seems to me encouraging is that opinion in influential professional economic circles, and in those concerned with international affairs, has in the past six months undergone a substantial evolution towards understanding, and seeking a way to meet, the French objections. Considering how easily industrial opinion was converted from protection to free trade when the initial F.T.A. scheme was launched, I am soberly hopeful of as good a response to the views now formulated in leading economic and internationalist circles.

The first step in the evolution of UK opinion towards the E.C.M. was, as I explained last week, the recognition that participation in European free trade was a reversion to the UK's traditional policy of the nineteenth century in which the promotion of free trade, especially with industrialised Europe, was the formula for prosperity. Protection was forced on the UK, partly by Europe's eventual rejection of free trade, but mostly by the need to combat the depression of the inter-war years. Hence the Ottawa conference of 1932 and Imperial Preference.

The second step in the evolution of opinion involves a reassessment of Imperial Preference, both in the UK and in the countries of the Commonwealth. In this, important contributions have notably been made by Mr. Andrew Shonfield, Economic Editor of the (London) "Observer", in a series of B.B.C. talks reproduced in "The Listener" (January 23, February 6, February 13, and February 20, 1958) and by Mr. Frank Holmes, the distinguished New Zealand economist, in a talk to Chatham House (reproduced in "International Affairs", January, 1958).

COMMONWEALTH ANXIETIES

Mr. Shonfield points out that the anxiety of Commonwealth countries over their traditional markets for their commodity exports has been awakened because, for some years now, demand for imported raw materials in Europe and the USA has not kept pace with the expansion of Commonwealth production. The industrial countries have learnt to make do with less. Technological advances using synthetic instead of natural fibres, and atomic energy in place of oil, will make it possible to do with a still lower proportion of imported raw materials. In agriculture, the West has been outstandingly successful in stepping up productivity by scientific methods, while protection has encouraged farmers not only in the UK but throughout Europe to invest on a large scale in technical improvements.

However, rising Western agricultural productivity is never likely to enable Europe to produce food as cheaply as Australia or New Zealand, or to produce tea, coffee, or cocoa at all. Nevertheless, despite the West's rising standard of living, and the increasing demand for processed foods, the scope for expansion of Commonwealth food exports is limited, even in the UK which remains the world's largest importer of food.

This has turned the attention of Commonwealth countries to the markets of continental Europe, and it explains their protests at the G.A.T.T. Geneva conference last year against the European Common Market's scheme to jack up minimum food prices inside it and to keep foreign produce out. The upshot of these discussions has been the feeling, particularly in Australia and New Zealand, that since the UK market no longer offers an expanding outlet, Imperial Preference is a hindrance rather than a help. By abolishing Imperial Preference, the Australians and New Zealanders hope that they may be able to obtain concessions in

the markets of Europe by offering cuts in their tariffs on imported manufactures.

Mr. Shonfield lays his finger on a basic point when he says that the real anxiety of these Commonwealth countries is to prevent the powerful new industrial system that may be expected to emerge from the E.C.M. from becoming another USA in its agricultural policies. The USA has demonstrated that it is possible for a successful industrial country to use its wealth to subsidise an uneconomic agriculture, regardless of cost. The USA's surpluses exercise constant downward pressure on world prices. In spite of the huge quantities involved, American agriculture produces only 5 per cent of the USA's national income. The rest of the economy is so productive that it can easily carry the burden of a few billion dollars of surplus. Is this, ask the Commonwealth countries, the precedent that the countries of the E.C.M. are going to follow?

ABOLISH IMPERIAL PREFERENCE

From this, it should be clear that the Commonwealth is now less interested in the UK's original proposal for a Free Trade Area with a guaranteed UK market for Commonwealth agricultural exports (including raw materials, foods for man or beast, whether raw or processed, drink and tobacco). The task of the UK, as the Commonwealth countries are coming to see it, is not to stand out for Imperial Preference but to use readiness to end it as a bargaining weapon to secure an expanding share of the E.C.M. for the Commonwealth.

Mr. Frank Holmes argues that the UK should offer to the E.C.M. countries to abolish all preferential tariffs on Commonwealth produce and thus open the way to much closer integration with the E.C.M.—a step that would be just what the French doctors are ordering. At the same time, Mr. Holmes urges that Commonwealth countries should gradually reduce their preferences on UK manufactures and use this process to bargain with the E.C.M.

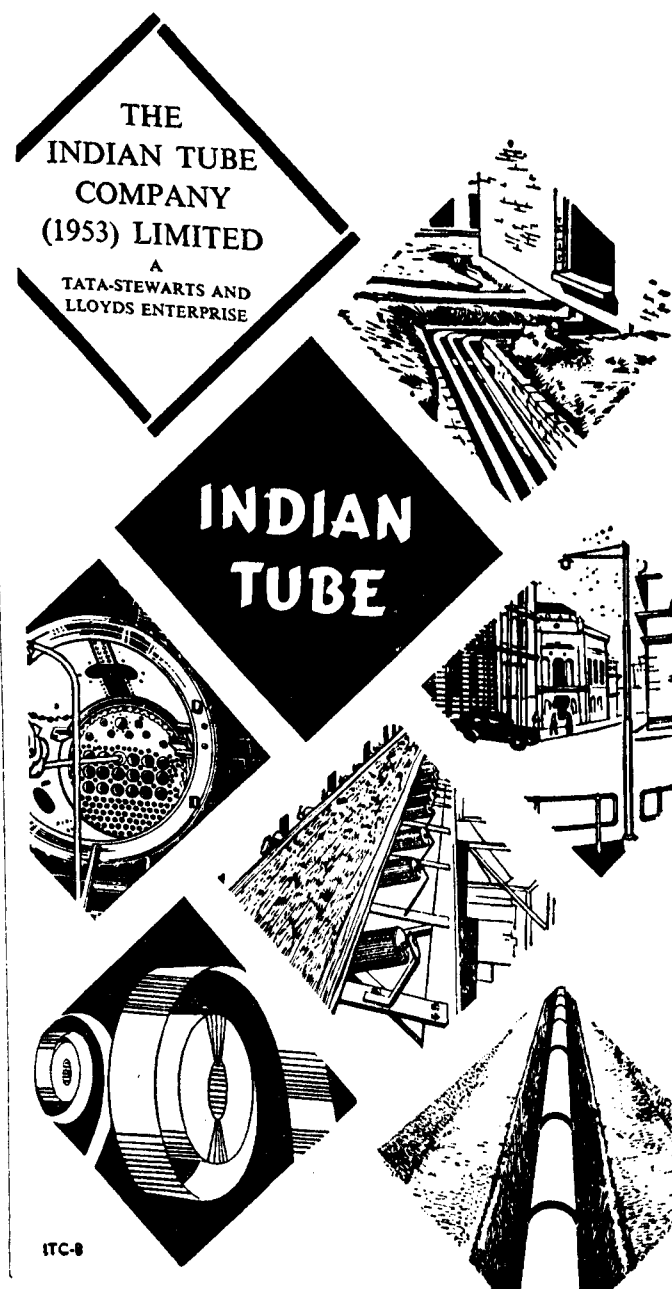
To those in the UK who still recoil from absorption into the European Customs Union because of the loss of sovereignty that would follow, Mr. Holmes suggests that we should not exaggerate the change from the present position. "We are," he says, "none of us as sovereign and independent as we imagine; a 7 per cent Bank Rate bears witness to that"—a hit, a palpable hit! Replying to those who maintain that the UK should concentrate on liberalising trade and encouraging development in the Commonwealth rather than worry about the E.C.M., Mr. Holmes says, in effect, that the choice between Europe and the Commonwealth is a false antithesis; a European Free Trade Area, including the UK, and with a liberal external economic policy, could make a positive contribution to Commonwealth development, and would not prevent the exchange of mutually advantageous concessions among Commonwealth countries.

Finally, if the UK were absorbed into the European Customs Union, what would remain of the Commonwealth economic relationship? It would certainly become looser, although natural economic forces would ensure a large continuing volume of two-way trade. I agree with Mr. Shonfield that the contribution of economic factors to the spiritual unity of the Commonwealth has been exaggerated, partly because people keep looking for something palpable in the Commonwealth, and now that the political forms have gone, economic relations seem to be all that remain. But it is, mostly the impalpables that count in Commonwealth relations. As far as the purely economic links are concerned, Mr. Shonfield argues plausibly that it is not the sterling system itself, or other formal arrangements,

which are important, but rather the extent to which the UK acts effectively in any emergency—such as, for example, the 1957 crisis in India's Five-Year Plan. The UK was not able to help India as much as she would have liked because her own exchange position was under strain, partly indeed because India's running down of her sterling balances coincided with speculation against sterling in Europe. But it is the extent to which the UK, and the other countries of the Commonwealth can, when necessity arises, translate their goodwill into positive action towards each other that counts more than whether India sells her tea in London or in a European Common Market.

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WEST GERMANY'S FOREIGN DEBTS

(From Our Special West European Correspondent)

PARIS, April 12.

THE world's most indebted country is Canada. The second, a long way behind, is West Germany. Obviously, indebtedness is a highly respectable condition, for these are two of the world's soundest economies. But West Germany's debts have been much in discussion lately and so, having reviewed West Germany's foreign investments last week on this page, we shall this week analyse these famous and very considerable debts. The reason for present interest in them is that it has been urgently suggested that they be repaid, rapidly and massively, in order to ease the currency crisis that is now affecting European trade as a consequence of West Germany's extraordinary export surpluses. This suggestion has been put up not only in the creditor countries but in West Germany itself, because it is not a case of needy creditors demanding their money back but rather of both sides trying to find ways to ease the unequal distribution of foreign exchange reserves. The currency crisis in Europe has been somewhat less tense in the last two months, thanks to the improvement of the sterling area's reserves, to the loans France has received and to the cessation of bullish speculation on the German Mark. But this is temporary; none of the fundamental causes of unbalance have been removed and it is everywhere expected that last winter's crisis is going to repeat itself. Thus it is worthwhile to consider of what help a repayment of Germany's debts would be.

Naturally, the popular mind is shocked at the contrast between huge export surpluses and substantial debts. It seems against nature that the same country can at once owe more money than any other except Canada and earn credits so large as to upset world trade. A moment's thought recalls that, far from being contradictory, there is a causal connection: a nation's debts are the investments other countries have made in its economy and it is this capital that has helped to build German industry to a position of strength where it can outsell its competitors and earn surpluses that threaten Europe's stability. Still, the popular notion is that, since German industry has now been re-established, it should be possible to marry (as the stock-brokers say) the debts and the credits to produce a balance or at least a less embarrassing surplus.

Obviously, however, since debts if repaid are repaid once and for all, while trading credits go on accumulating each year, the marriage would be an unstable one. Worse, the annual surplus would increase because the charges of debt servicing would not have to be met once loans were repaid, and when the total debt is as big as Germany's this is important. Debt repayment by itself would resolve nothing; Germany's annual surpluses have to be reduced and that will not be done until West Germany gets the habit of investing abroad and consuming more at home—or until other countries begin to discriminate against German exports, which they probably will do before long. Still, the limited and temporary assistance provided by massive debt repayment might be useful as far as it goes. But to be sure of that we need to look and see what these German debts are and to whom they are owed.

West Germany's indebtedness can be broken down as follows. (In order to grasp the order of the sums

involved, one Deutschmark may be taken as equal to one Indian rupee.)

1. Pre-war debts, mostly the loans floated by Germany in the 1920's and 1930's, of which the outstanding balance at the end of last year was 4,000 million DM.
2. Post-war economic aid to West Germany, about 5,000 million DM.
3. Foreigners' deposits in West German commercial banks, 2,100 million DM.
4. Various other short-term loans, totalling at the end of 1957 about 852 million DM.
5. Private foreign investment in West Germany between 1948 and 1957 (actually it only began on a large scale in 1952) which totals well over 2,500 million DM.
6. The sum promised Israel in the Hague agreement as a token compensation for Nazism's crimes against Jewry, 2,000 million DM.
7. Other reparation engagements, which cannot be estimated for claims are still being received.

This comes to an immense total but we can reduce it drastically as far as concerns the question of rapid and massive debt repayment. The last two entries concerning reparations are not debts in the ordinary sense and there can be no pressure on Germany to hurry up their liquidation; the pacts governing these commitments are being implemented with every goodwill. Nor is there any question of liquidating the fifth entry, foreign private investment; neither side has suggested it and international financial stability is best served by the continued profitability of such investment for foreign lenders. The third and fourth entries concern current business transactions and they too must be excluded from any plan for debt liquidation.

There remain the 9,000 million DM. owed by Germany on pre-war loans and post-war economic and military assistance. This is a very considerable sum and the advocates of debt repayment have it in mind. All the loans concerned are governed by the London Agreements of 1953 which tabulated and consolidated Germany's indebtedness. Now the first fact to notice about this 9,000 million DM. is that two-thirds of it, or 6,000 million DM., is owed to the dollar zone—either directly to the US Government or to the holders of dollar-bonds, mainly Americans and Swiss. Only 3,000 million is owed in the form of the softer currencies. The predominance of dollar obligations in Germany's indebtedness is due to the post-war economic aid the country received (1,000 million US dollars) and to more recent military aid (200 million US dollars). These two debts bear interest at 2½ per cent 2-3/8 per cent respectively and are to be repaid in 30 years and 25 years respectively starting from the middle of this year. They could conceivably be paid off more quickly, perhaps even massively. But to what end? Repaying loans to the Americans is not going to ease the currency crisis, the contrary rather. Anyhow, West Germany has a dollar gap, like most other countries. Re-

payments to the Swiss are no more urgent and would not even reduce West Germany's credit balance in EPU, for the Swiss Government excludes such capital liquidations from its EPU accounts.

The pre-war debts, on the other hand, are owed mainly to European countries, though here too the dollar share is substantial. These are the famous Dawes, Young, Swedish Match, Kreuger and Prussian loans over which so much ink has been spilt this past thirty years. Accelerated repayment is possible here but the West German central bank points out that the procedure would be immensely complicated, for over 40 separate loans are involved (central, State, municipal and private) and the technicalities of liquidation would require more time than the urgent advocates of debt repayment imagine. Some relief to West Europe could be achieved by this method but only at the price (since repayment would have to be on the same terms for all creditors) of paying off the American and Swiss creditors too and thus going to some extent against the object of assisting the countries whose trade is now deficit.

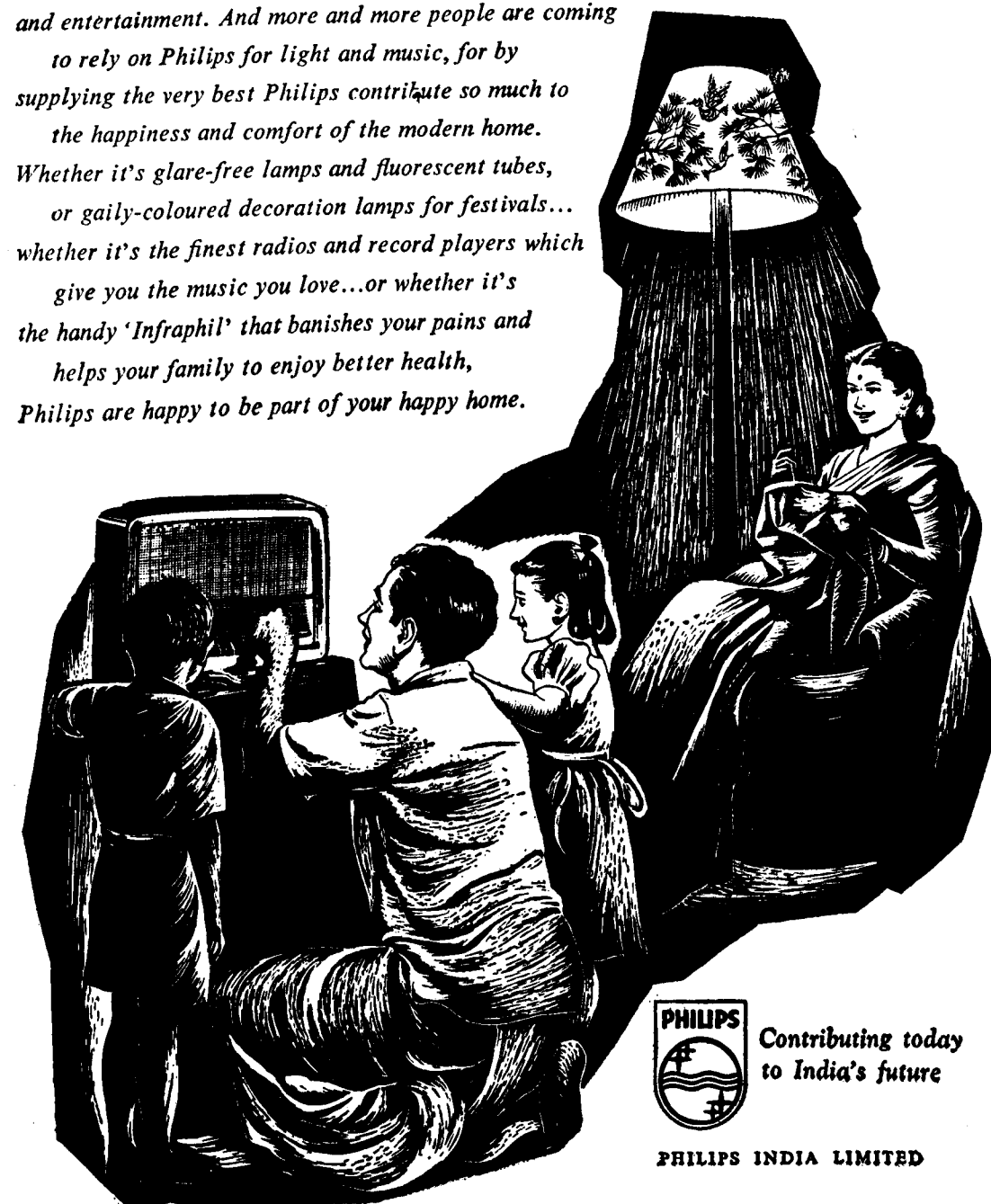
The magnitude of these debts is not due to any German dilatoriness in repaying them. On the contrary, since the London Agreements were signed in 1953, West Germany has paid off, on time or ahead of time, some 3,170 million DM. to get the total down

to 9,000 million DM. Yet in that period foreign purchases of West German securities have roughly equalled that figure, so that the country's total indebtedness has not declined much but has merely changed in nature.

Reverting to the global figure of repayable debt, 9,000 million DM., we saw that only 3,000 million DM. of this was owed in the form of non-dollar bonds. That does not mean that this amount is owed to the governments and people of the soft currency countries, for a good part of this debt has been bought up by the Swiss. Once again, repayment would not do anything to rectify currency unbalance in West Europe. The West German central bank estimates that only 1,400 million DM. is owed to the soft currency countries, much of it to Britain, much to France and smaller sums to Swedes, Belgians and Dutchmen. Thus, having started out from the astronomic total of German debt we have squeezed it down to the manageable sum of about Rs. 140 crores, the rapid repayment of which could have any useful effect on the present exchange difficulties of West Europe. This is big enough for it to be necessary for West Germany to seek to do something about it, if only as a sign of goodwill; the technical difficulties are no doubt great but are no excuse for inaction. But it is plain that the solution of West Europe's currency difficulties does not lie in this direction.

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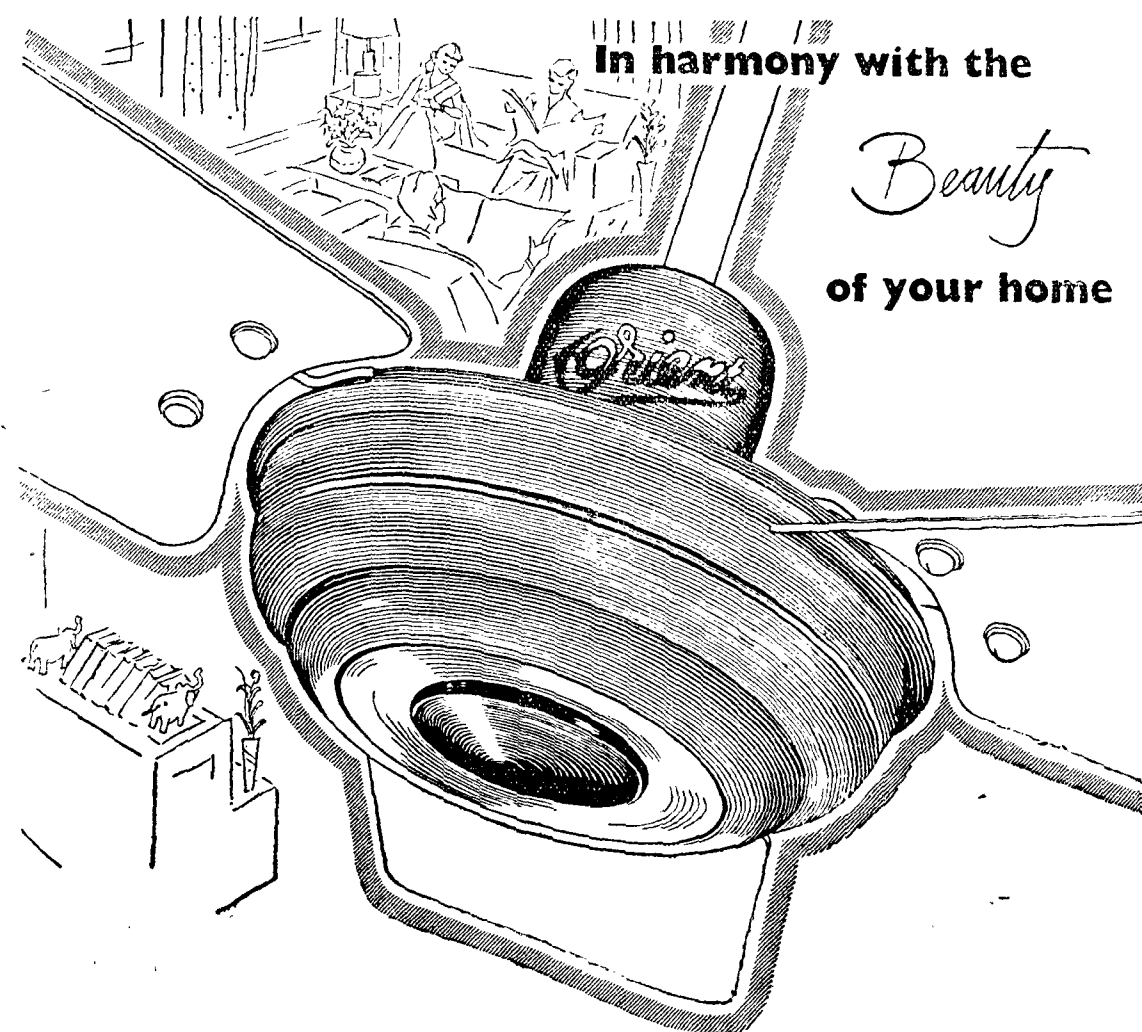
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WORLDGRAM

AGRICULTURE

Distribution of Fertilizers: In a written reply to a question jointly put by Sarvashri Rajagopal Rao, Rami Reddy and Daljit Singh, Shri A. P. Jain, Union Minister for Food and Agriculture, indicated in a statement laid on the Table of the Lok Sabha that 4,53,619 tons of sulphate of ammonia, 58,874 tons of urea, 93,607 tons of ammonium sulphate nitrate, and 35,418 tons of calcium ammonium nitrate were expected to be distributed to various States in 1958-59. In 1957-58, up to March 15, 1958, the distribution of fertilizers was as follows (in tons): Sulphate of ammonia 5,37,474, urea 43,320, ammonium sulphate nitrate 19,458 and calcium ammonium nitrate 6,873. Figures for distribution of fertilizers for the financial years 1956-57 and 1955-56 were respectively (in tons): sulphate of ammonia 4,63,377, 4,42,506; ammonium sulphate nitrate 9,296, 4,790; urea 13,103, 6,164; calcium ammonium nitrate 57, 1,611; and muriate of potash 298, 188.

Co-operative Farming: The Standing Committee of the National Development Council recommended that 3,000 co-operative farming experiments be set up during the period of the second Five-Year Plan. It did not, however, fix any Statewise targets. This was revealed by Shri A. P. Jain Union Minister for Food and Agriculture, in Lok Sabha recently. Shri Jain further stated that during the course of the State co-operative plan discussions for the year 1958-59, a target of 530 co-operative farming experiments was fixed. The State-wise targets were Andhra Pradesh 6, Kerala 10, Madras 15, Madhya Pradesh 100 (better farming), Uttar Pradesh 20, Bombay 25, Mysore 100, Punjab 70, Rajasthan 4, Delhi 1, Himachal Pradesh 1, Assam 20, Bihar 60, Orissa 13, West Bengal 75, and Tripura 10. The Governments of Punjab, Uttar Pradesh, Madras, Assam, Rajasthan, Bihar, Madhya Pradesh, Kerala and Bombay, the Minister continued, had gone ahead with the programme and set up 284 societies during the first two years of the second Plan. The figures for these States were: Punjab 133, Uttar Pradesh 39, Madras 10, Assam 10, Rajasthan 4, Bihar 20, Madhya Pradesh 1, Kerala 9, and Bombay 58.

Conference of Cattle Breeders: A resolution urging State and military farms to make available young bulls and heifers of better breeds—such as the Red Sindhi, Sahiwal and Tharparkar—to breeders at concessional rates, was adopted at the All-India Cattle Breeders' Conference, held recently. The railway authorities have also been requested to arrange for transport of livestock and breeders to important centres and institutions at concessional rates. Organised by the All-India Cattle Show Committee, the Conference was attended by delegates from Punjab, Rajasthan, Bihar, Orissa, Madras, Kerala, Delhi, Uttar Pradesh, Bombay and Madhya Pradesh. A set of 11 resolutions dealing with various aspects of cattle improvement in the country were adopted at the Conference. In another resolution, an appeal was made to the Union Government to send Indian livestock breeders for advanced studies in animal husbandry in foreign countries under the existing technical aid programme. The Conference also asked Central and State Governments to increase their contributions to the Committee, so that the value of prizes could be enhanced and its activities expanded.

INDUSTRY

Development of Handicrafts: Schemes for setting up a training-cum-production centre and a demonstra-

tion-cum-service centre for different handicrafts besides continuing the existing pilot centres have been approved by the Government of India on the recommendations of the All-India Handicrafts Board. The training-cum-production centre is to be set up at Gorakhpur in Uttar Pradesh for the development of cane and bamboo industry. These materials are grown in abundance in the eastern districts of the State. The centre will also have a depot for stocking and supplying bamboo and cane and a shop for the sale of finished products. The trainees, after completion of training, will be encouraged to form a co-operative society. A grant has been provided to the State for the establishment of the centre. For implementing a scheme to set up a demonstration-cum-common facilities service centre for the manufacture of papier mache products at Gwalior, the Madhya Pradesh Government has been given a grant. The centre is expected to give technical guidance to the workers for developing the craft through improvement of designs and serve as a service centre. Grants have been sanctioned to the Handicrafts Board for continuing the pilot training-cum-production centre for raffia work at Faridabad and the pilot brocade centre at Surat.

Substantial Increase in Output of Bicycle Tyres and Tubes: The output of bicycle tyres in India in 1957 was slightly over 7.15 million, against 3.94 million tyres manufactured in 1951. During the same period the number of bicycle tubes made in India went up from about 4.9 million to slightly over 7 million. The target for the production of bicycle tyres and tubes under the second Plan is 20 million tyres and tubes each per year. The current domestic demand for bicycle tyres and tubes is estimated at 9 million each per year. This is expected to rise to 16 million tyres and tubes each by the end of the second Plan, keeping pace with the steady increase in the number of bicycles on Indian roads. The list prices for Indian cycle tyres and tubes have fallen considerably since 1951. The list price of a tyre, which was Rs. 6-4 in 1951, came down to Rs. 4.62 in 1957. At the same time the list price of a tube, which was Rs. 3-4 in 1951, fell to Rs. 2.19 in 1957. When instances of cycle tyres being sold above the list prices came to the notice of Government, manufactures were advised to ensure that the dealers did not charge more than the list prices. At the same time import quota of established importers was increased to improve the availability. To augment indigenous production, existing units have been allowed to establish additional capacity. The schemes are being implemented.

Utilisation of Non-Metallurgical Coal: The Union Minister for Steel, Mines and Fuel, Sardar Swaran Singh, said in a written reply to a question by Shri Ram Krishan, in Lok Sabha, that a scheme had been finalised for setting up a pilot plant to conduct experiments with iron ores of these regions where no metallurgical coal was available to see how far coals locally available would be suitable for the manufacture of steel at Jamshedpur. He added orders had been placed with a German firm for erection of the plant.

TRADE

Increased Exports of Textiles: The exports of cotton textiles from India in 1957 are estimated at 889.11 million yards, an increase of 145.3 million yards over 1956. In terms of the foreign exchange realised, the exports in 1957 were worth Rs. 64.1 crores as against Rs. 56.99 crores in the previous year.

Indian Export Goods: Indian export goods were displayed in 21 international exhibitions

Carried Forward

and fairs during the financial year 1957-58 just ended. This visual publicity is part of the export promotion drive. Twelve of these exhibitions and fairs were held in Europe, four each in Asia and America and one in Africa. Two of the exhibitions were entirely Indian shows. A large variety of exportable merchandise, ranging from traditional export goods to the products of India's fast developing engineering industries, were displayed. The exhibits included diesel engines and pumps, sewing machines, items of machinery, electrical appliances, aluminium manufactures, rubber and plastic goods, textiles, made of cotton, silk, and wool, handloom fabrics, ready-made garments, bicycles, tea, coffee, spices pickles and tinned fruits. Participation in exhibitions abroad has resulted in favourable business with foreign countries. Wherever possible, the industrial progress in India since Independence and the development effort under the second Five-Year Plan are also demonstrated in the exhibitions through charts, models, photographs, etc. Apart from participation in exhibitions, continuous publicity to Indian goods is given in permanent showrooms and trade centres set up in a number of important commercial cities in different parts of the world. These cities include, New York, London, Geneva, Colombo, Jakarta, Singapore, Mombasa, Cairo, Rangoon and Trinidad. Showrooms or trade centres during 1958-59 are proposed to be opened at Beirut, Accra, Hamburg and San Francisco. Apart from providing visual publicity for export products, the centres also disseminate trade information and provide facilities for trade production to prospective importers. The permanent display in the trade centres is suitably changed from time to time to stimulate consumer interest in different products.

Foreign Trade of India in December 1957: The provisional figures of foreign trade of India by all routes (i.e.- sea, air and land, on private and Government accounts during December 1957 according to data so far available in the Department of Commercial Intelligence and Statistics, Calcutta, are as follows: Merchandise, excluding transit trade of Pakistan and other overland foreign countries viz., Nepal, Tibet, Sikkim and Bhutan; Exports Rs. 54.26 crores, re-exports Rs. 37 lakhs, imports Rs.66.93 crores; Total trade Rs. 121.56 crores. Treasury: Exports (including re-exports) of Currency Notes Rs. 97 lakhs, Current coins (excluding gold coins) Rs. 10 lakhs, others nil. Imports of gold Rs. 2 lakhs. Currency notes Rs. 1.59 crores and current coins (excluding gold coins) Rs. 1 lakh. Balance of Trade: The merchandise import figures are exclusive of the value of certain consignments of Government stores awaiting adjustment. Subject to this deficiency in import figures, the total value of exports (including re-exports) of merchandise and gold fell short of imports by Rs. 12.32 crores.

FINANCE

Special Rebate on Sales of Handloom Cloth to be Allowed: The rebate on sales of handloom cloth was reduced from 1½ annas to 6 nP. (from 2 annas to 6nP. in Bombay State) in the rupee with effect from December 1, 1957. Recently it was brought to the notice of the Government that there was an increasing accumulation of unsold handloom cloth causing distress to weavers in various States. Government have studied the situation carefully and, with a view to improving sales and clearing off the accumulation, have decided to allow a special additional rebate of 6 nP. in the rupee on sales, of handloom cloth for a period of 2 months from April 11, 1958. This special rebate will be in addition to the usual rebate of 6 nP. in the rupee and will be allowed on all retail sales of handloom cloth by weavers' co-operative societies and State-owned depots and on wholesale sales by weavers' co-operative societies. It is hoped that this special rebate will help in clearing off a major part of the accumulated stocks.

Tobacco Excise Revenue Stamps: The Government of India have decided that Excise Revenue Stamps now in use for purposes of collection of licence fee chargeable under Central Excise Rules 1944 in respect of tobacco should be discontinued with effect from June 1, 1958. A notification to this effect is being published in the 'Gazette of India'. Provision has, however, been made to enable the public to exchange tobacco excise revenue stamps for current Central excise revenue stamps of equal face value free of cost at Indian Post Offices within 6 months from June 1, 1958, provided the stamps are unused and unspoiled. It is made clear that no extension of this time limit will be granted. Tobacco revenue stamps were first introduced in 1943 and their use was permitted even after the issue of Central Excise Revenue Stamps in 1944.

Loans Due From Foreign Countries: The Finance Minister, Shri Morarji Desai, told Shri Padam Dev in the Lok Sabha recently that India had advanced to Burma and Indonesia loans amounting to Rs. 15 crores and Rs. 5 lakhs respectively. The loan to Burma was repayable in 24 equal half-yearly instalments starting from April 1, 1960. The terms of repayment of loan by Indonesia, Shri Morarji Desai said, had not yet been settled. The Finance Minister added that the Government of India had also loaned 3,100 tons of rice to Nepal to be repaid in kind.

GENERAL

Sales Executive Association Formed in Bombay: With the objectives of stimulating thought and effort towards evolving a scientific approach towards the promotion and development of Marketing and Sales Management in India, an association known as 'The Sales Executive Association of India' has been formed. At a general meeting held on April 7, 1958 in Bombay the constitution was adopted and the following were elected as office-bearers: Mr. S. K. Swaminathan, Sales Manager Mahindra & Mahindra Ltd.—President. Mr. Harish C. Jain, Managing Director National Advertising Service (Private) Ltd.—Secretary. Mr. W. N. Chadha, Sales Director, Johnson & Johnson (Great Britain) Ltd.—Treasurer. Mr. D. M. Desai, Managing Director Hindco Lighting Industries (Private) Ltd., Mr. John Pereira, Sales Manager, Chesebrough Ponds Inc., and Mr. F. Murdoch, Sales Director, Geoffrey Manners & Co. (Private) Ltd.—Committee Members. Membership is open to all those engaged in the planning, promotion or direction of sales.

Trained Graduates in India: During 1956-57, 10,364 students graduated from Teachers' Training Colleges in India, stated Dr. K. L. Shrimali, Minister of Education, in a written reply to a question by Shri Ram Krishan in the Lok Sabha. He further disclosed that the total number of students who graduated in teachers' training in the last 5 years was as follows:

1951	..	..	4,053
1952	..	..	4,905
1953	..	..	5,659
1954	..	..	6,173
1955	..	..	8,774

The number of trained persons (graduates as well as under-graduates) registered with the employment exchanges for various categories of teachers as on December 31, 1957, was as follows:

Headmaster / Mistress	..	48
High School Teachers	..	1,674
Middle School Teachers	..	4,478
Elementary School Teachers	..	8,885
Kindergarten Teachers	..	44
Other educationists	..	1,324
TOTAL	..	16,453

NEWS IN BRIEF

INDIAN

An inquiry into the living conditions of Central Government employees in Delhi is likely to be conducted shortly. Questionnaires seeking information on the employees budget, diet and day-to-day problems will be sent to the various Ministries.

The Minister for Commerce, Shri Nityanand Kanungo stated in the Lok Sabha recently that the markets which had recently been developed for exports of Indian chrome were China, Norway and Switzerland.

Messrs. Tata Industries Private Limited, Managing Agents for the Tata Iron and Steel Company Limited, report that the total approximate production of iron and steel at the steel works at Jamshedpur during the month of March 1958 was pig-iron 94,800 tons and steel ingots 100,200 tons.

The total sales turn-over of the Penicillin factory at Pimpri increased from Rs. 54 lakhs in 1956-57 to Rs. 1.3 crores in 1957-58. The total production of finished and certified penicillin 'G' which was the only important item at present being made at the factory, increased from 9.9 million mega units in 1956-57 to a little over 21 million mega units in 1957-58.

The Indian Standards Institution has laid down standard specifications for steel doors, windows and ventilators with a view to achieving substantial economies in the construction of buildings.

The Joint Chief Controller of Exports, announced in a Trade Notice recently that wire nails would be licensed freely for export to all permissible destinations. In another Trade Notice he said that the shipment period of quotas of pashmina wool—released on December 12 last year — had been extended from March-end up to the end of June, 1958.

A two-year trade agreement between India and Japan, enacted in terms of Article 2 of the Peace Treaty between the two countries came into force on April 8. The agreement, which was signed in Tokyo on February 4 this year and ratified on April 8 replaces the arrangements provided for in the Indo-Japanese Peace Treaty of 1952 which had till now governed the trade relations between the two countries.

The Government of India have decided to reduce the export duty, leviable on castor oil, from Rs. 175 per ton to Rs. 100 per ton, and, on niger seed from Rs. 150 per ton to Rs. 50 per ton, with immediate effect.

Three new central warehouses would be opened during the next two months for storage of rabi crops at suitable centres in Punjab, Uttar Pradesh and Bihar.

FOREIGN

Wool consumption in the UK in February was over 4 per cent higher than in January, but it was more than 11 per cent less than in February, 1957.

West German industry's export orders in February were 6 per cent below the comparable figure of 1957, the Ministry of Economics announced recently. The fall was particularly marked in capital goods which declined by 9.5 per cent.

Trade talks between Germany and Portugal, broken off in February, will be resumed in Lisbon on April 28.

Scotland achieved a further increase in industrial activity of nearly 1 per cent during 1957, according to the annual report on Industry and Employment in Scotland, and the Scottish Roads Report, published as a white paper recently. Scotland shared in the expansion of UK exports, the volume of which rose by 2 per cent.

The International Monetary Fund and the US Treasury announced that they are extending for another 12 months to April, 1959, the currency stabilisation agreements with Chile.

Dutch mines have raised prices for domestic coal by Fls. 2—Fls. 7 per ton. For certain types of industrial coal the price, however, has been lowered by between 75 cents and Fls. 3 per ton.

Russia signed a barter agreement worth £3,500,000 with Egypt, Cairo Radio reported recently. The Radio said that the agreement provided for an exchange of 150,000 tons of Soviet wheat for Egyptian cotton and other products. The wheat will be sent to Egypt in monthly deliveries, beginning next September.

A Burmese trade mission led by the Home Minister, Thakin Tha Khin, will leave for India in the third week of April to study possibilities of introducing the "clearing account system" in Indian-Burmese trade. The system would not cover the importation of rice from Burma into India, which would continue to be paid for in cash.

China expects an 11 million ton increase in food crops this year as the result of an increase in irrigation and in the application of insecticides, the new China news agency reported recently.

Both world production and world trade reached record levels in 1956, according to figures contained in the United Nations Statistical Yearbook, 1957. Excluding the Communist block countries, industrial production showed an increase of 4.5 per cent over 1955 and no less than 127 per cent over the last pre-war year 1938.

On account of the acute food scarcity in Nepal, the Government of USA have agreed to grant to the Government of Nepal 20,000 tons food grains under P.L. 480.

It is reported Canada has agreed to supply 10,000 tons of aluminium to India under the Colombo Plan. In addition, 7,500 tons of copper and 500 tons of nickel are being given as Colombo Plan aid.

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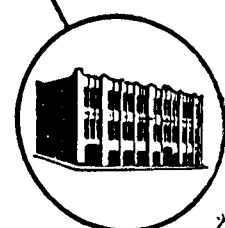
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A Letter to the Editor

A COHEN COUNCIL FOR INDIA?

Sir,
There is a pathetic faith in our country in the ability of Commissions, Committees or Councils to suggest remedies for our various economic, social and cultural ills. I was not, therefore, surprised when a plea was put forward in the column of 'The Eastern Economist' dated March 28, 1958 to set up a "Cohen Council in India." As a matter of fact, a distinguished member of the Opposition in the Lok Sabha suggested this very "panacea" only a few weeks ago. It is, therefore, with some diffidence that I am putting forward a contrary view.

Two principal reasons have been advanced for the setting up of such a Council in our country. First, it is necessary that there should be an independent body commissioned to produce occasional reports about the health of the economy in an objective manner. Secondly, it will be profitable to have Council which can be called upon to review from time to time the changes both in production and prices.

I do not dispute the need for such objective studies. But need we set up one more Council for this purpose? Is it fair to lump together the Research Department of the Reserve Bank of India and the Department of Economic Affairs of the Government of India as "interested" sources, and conclude that their reports are not "objective enough"? Are not the various wings of the Planning Commission carrying out "objective" studies on many facets of the country's economy? Assuming, for the sake of argument, that they are not "objective enough", could not the work be entrusted to the Panel of Economists, or, for that matter, to the National Council of Applied Economic Research which has just come into existence? Would a separate Council, consisting of "three good men and true" do the job better?

If a research were undertaken into the number of Commissions, Committees and Study Groups which have met during the past ten years or so and the fate that has overtaken their admirable reports, one cannot but conclude that a fresh report (on series of reports) by a new Council would not improve matters. Let it not be forgotten that the problem today is not so much the lack of knowledge as the lack of determination to apply the already available knowledge to practical use. In other words, it is the politicians and not the economists, who hold the key.

Moreover, may I point out that the data that we have in our possession at present are quite inadequate for the type of study which the Cohen Council in England undertook? We want to study prices, but do we have price data of the type available in England? Are not our wholesale prices totally misleading in the context of the questions to which we expect the Council to provide an answer? As regards our cost of living indices and figures of wages and output, do they present a unified and coherent picture? Such figures are not available in respect of our major industries.

It may be argued that it is precisely for these reasons that an independent Council should be set up. Surely, it is not the business of a "Cohen Council" to collect primary data or even to indicate, except incidentally, how the existing data can be improved upon or amplified. A Cohen Council is to study available data and their inter-relationship.

It would be also useful, in this connection, to remember that even in England the Cohen Council and its first report have failed to solicit more than a passing reference from the London 'Economist' or the 'Economic Journal' (the mouthpiece of the Royal Economic Society). This is due, in my opinion, to the fact that the thesis propounded by the Cohen Council are so old and hackneyed and as such did not deserve any special notice. Anyone who has been studying the

economic and financial journals of that country for any length of time would agree that the lag between productivity and wages and between wages and prices has been known to the politicians and economists of Britain for the past five years, if not earlier. The departure of Mr. Thorneycroft from the Chancellorship of the Exchequer a few months ago (before the Cohen Report was published) was, more or less, on this very issue. The disputes between employers and trade unionists in that country have also centred around these.

In fact, those who plead for a Cohen Council for India really want a wage policy which would be to the advantage of certain sections of the people. And they equate the interest of these sections with the national interest. But can a scientific wage policy be practicable in India today? My reply is in the negative for a variety of reasons. A "desirable" wage policy run counter to certain accepted policies of Government and may not, therefore, be practicable. Moreover, would a wage policy in the sectors of production of food and cloth only meet the demands of those who advocate the setting up of a Cohen Council for the entire economy? After all, the real hardship is being caused not so much by a general rise in prices but a rise in the prices of two essential items of livelihood—food and cloth.

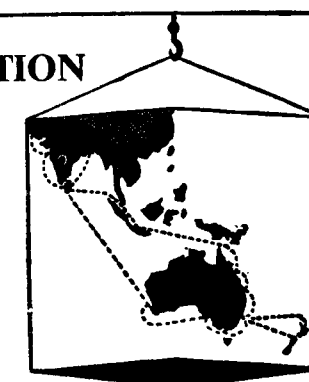
A practical point should also be considered in this context. After analysing whatever data are available, a Cohen Report would perhaps insist on a right division of what is left (of production) between consumption and productive investment (in extending and improving the equipment of industry). But can wage-earners be expected to examine this dispassionately? Even in Britain the first report produced by the Cohen Council has not been able to modify the wage demands put forward by various trade unions. Would it not be still more naive to expect that workers in India—some of whom undoubtedly live on subsistence level—would respond better? Moreover, in a democracy, the economic chiaroscuro is apt to be befogged by political sophistry.

CALCUTTA,
April 2, 1958.

Yours faithfully,
ARCHIVIST.

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A DELHI DIARY

GEORGIE PORGIE AGAIN

THIS week in Parliament has been exciting beyond expectations. There has been the ridiculous, mixed, if not with the sublime, at least with the dramatic. Mr. Hem Barua, for example, was most disturbed about an Air India International advertisement which had appeared in London. He asked whether the Government's attention had been drawn to this advertisement which ran as follows:

"Georgie Porgie kissed on the sly
An Air India hostess—she didn't cry.
Our passengers, luckily, on the whole
Show a certain amount of self-control".

He thought that these advertisements should be stopped as they reveal "paucity of ideas" and "did damage to our air hostesses". I can sympathise with the paucity of ideas, but was it suggested that our hostesses have lost their virtue? There was, curiously, not much amusement displayed in Parliament; apparently in India, as in Japan, kissing is becoming a serious subject. Much to my regret further questions relating to air hostesses—always a most interesting subject—were excluded on the ground that air hostesses had nothing to do with the advertisement in question. I thought that Mr. Hem Barua was trying to arrive at air hostesses by a devious route, but there should have been no doubt as to what in this case was his ultimate goal, and I feel the Speaker might have been a little more tolerant seeing the worthiness of his cause!

HONI SOIT?

Feeling in the House has risen steadily with the temperature. While heat inside and outside are not, in this air-conditioned age, placed in the relation of cause and effect I cannot help feeling that it is normal for irritation to rise as April advances in New Delhi. But I cannot remember any occasion when a general feeling of irritation has shown itself as markedly as when on Wednesday Mr. V. K. Krishna Menon, the Minister for Defence, rebuked members of the Opposition for speaking lightly of the Armed Forces. Mr. Menon was in a difficult mood, and when asked to cite chapter and verse, spoke about the caps' fitting some persons unnamed. Mr. Asoka Mehta, as the Leader of the P.-S.P. on that day, proved to be as firm in defence as the Defence Minister in attack. First the Speaker and then the Deputy Speaker tried in vain to pour oil on troubled waters. It looked as though a dramatic moment had arrived and the only safety-valve for indignation—a walk-out—would be staged. As it turned out, the drama suddenly disappeared. Mr. Krishna Menon apologised and, in a flood of haste, all the demands for grants were sanctioned.

The debate on Defence was one of the most disappointing of all the debates in this session of Parliament—perhaps, because Acharya Kripalani's original attack in the general debate covered so much of the ground that almost nothing was said in the same terms. Nevertheless, Mr. Patnaik and Mr. Nausher Barucha's performances will be long remembered because of their mastery of detail. Mr. Nausher Barucha's reference to Rs. 5.5 crores spent on "stationery and telegrams" was recorded, notwithstanding the fact that all the defence demands were sanctioned. So, indeed, did the point made by Mr. Patnaik that, while secrecy in regard to purchases is maintained here, full details were available in the countries of supply. These points were not

dealt with adequately by the Defence Minister in his reply, but there seems to be hardly any need for a detailed reply, when the mood of the Congress Party is that for security "a defence budget of any size is justified." If the figure had been Rs. 50 crores more, it might still have been accepted with only the same diversionary operation on the honour of the services.

ARUNA

On Monday, Aruna Asaf Ali was duly elected Mayor of the Delhi Corporation. This has proved popular notwithstanding my grim forebodings some weeks ago. As is not unnatural, women in Delhi have found in Aruna's victory a victory by proxy for themselves; all political (and feminine!) differences have been submerged in the circumstance that a women's victory is happily generating. One lady, gifted with powers of logic a little misplaced in one so beautiful, rebuked me severely. "Surely", she said, "the argument that you presented that the presence of a Municipal Commissioner does not make a superlative Mayor necessary can be used against you. There is no reason why Delhi's first Mayor should not fit the bill". I also see that Aruna has now said her piece on her policy. It is to fight "reactionary" forces, so say we all! As a fighter of "reactionary forces" I now place myself on Aruna's side.

PERENNIAL PROBLEM

Foreign exchange continues to a cheerful perennial. Some days ago we thought (Mr. B. K. Nehru having returned with a "package" deal and Mr. K. B. Lal with another) that the underwriting of the foreign exchange component of the Plan was now only a matter of paper work. But there are rumours afloat in New Delhi that a document of serious purport or import, (not to be confused with imports which are unpopular) is being prepared to show to the National Development Council which meets in the first week of May, that all is, after all, not as neat and tidy as it appeared in the last Budget speech. And while Ambassadors to China, Cairo, Bonn, Canada and Brussels have now been duly assigned (or ear-marked?), the specifications of the Ambassador to fill Mr. G. L. Mehta's place at Washington have not yet been described. Perhaps it will be necessary to change the specifications to suit the willing horse. At present there are no prospects of a race.

MONKEYS TO THE RESCUE

Last but not least I must pay my tribute to the animal world. Monkeys have, at least on one epic occasion, proved irreplaceable national assets. As the great story of the rescue of Sita receives scientific treatment in the nuclear age, I expect many of its romantic embellishments may suffer eclipse, others corroboration. I expect in particular that the flight into Lanka of Hanuman will show the advanced state of cosmic physics in legendary times. But we will still, I hope, continue to record our indebtedness to Hanuman rather than to abstract science. In much the same spirit of gratitude, I read the figures released this week of our export trade in monkeys. During the seven months ending October 1957, 1,28,261 monkeys were exported from India earning Rs. 86,01,051 in foreign exchange. Again, it is not air-travel that is significant. It is Hanuman; praised be his latest effort of service.

ARGUS.

A DELHI NOTE BOOK

THE week in the Lok Sabha was highlighted by Mr. G. L. Nanda's categorical rejection of the demand by a number of trade union organisations for an immediate wage increase of 25 per cent. This demand, in his view, was unreasonable because the expected increase of 25 per cent in the national income—an increase on the basis of which the demand was made—would come about, if at all, only by the end of the second Plan period. Mr. Nanda, in his reply to the debate on the Budget demands for his Ministry, also referred to the wage boards already set up for three industries—textile, sugar and cement—and proposed to be set up for seven more, adding that the whole issue was now in a state of suspense following the Supreme Court's judgment in the Working Journalists' Wage Board case. The Labour Minister thought at the same time that this judgment had clarified certain things connected with wage determination. Mr. Nanda was probably not unmindful of the crucial importance of at least one aspect—the capacity to pay.

FOREIGN EXCHANGE SITUATION

The Planning Commission's recent White Paper on the foreign exchange situation, it may be recalled, had estimated the foreign exchange commitments outstanding as on 30th September, 1957 at Rs. 590 crores on Government Account and Rs. 400 crores on Private Account. According to latest available information, the outstanding commitments as on 31st March, 1958 are Rs. 564 crores on Government Account and Rs. 300 crores on Private Account. About Rs. 565 crores of these commitments is already covered by foreign aid arrangements with the United States, the United Kingdom, West Germany, Japan, etc., leaving a gap of nearly Rs. 300 crores.

Comparative figures of licences issued during 1956 and 1957 for imports of capital goods and heavy electrical plant, other machinery and consumer goods are also available. In 1956 import licences for capital goods and heavy electrical plant had a total value of Rs. 363 and heavy electrical plant Rs. 39 crores and for consumer goods Rs. 216 crores. But in 1957, values of import licences for these categories were Rs. 229 crores, Rs. 61 crores and Rs. 163 crores respectively. In the category of consumer goods, it is pointed out, there have been included some producer goods like oilseeds, tobacco and cotton yarn.

INDUSTRIAL EXPANSION

It is seen from the 1957-58 Report of the Commerce and Industry Ministry that 101 new units were licensed and established and 161 units had expanded their capacities during the year. As for new units established, ferrous metallurgical industries accounted for eight and non-ferrous metallurgical industries for three; internal combustion engines industry two; vegetable oils one; leather and glass four; ceramics seven; cement one; plywood one; ships one; automobiles four; bicycles two; hand and small tools three; sewing and knitting machines one; fertilisers one; heavy chemicals two; drugs and pharmaceuticals two; cotton textiles 31; sugar 13; alcohol two; and flour four. As for units which expanded their capacities during the year, ferrous metallurgical industries accounted for 12; coal industry two; electrical equipment five; radio receivers one; soaps one; rubber goods three; railway rolling stock four; tea machinery one; chemical machinery one; cranes one; power driven pumps two; weighing machines two; heavy chemicals 18; drugs and pharmaceuticals 10; cotton textiles 60; and sugar 10. Some units in a few other industries mentioned in the first category also came in for expansion.

NEW INDUSTRIAL PROPOSALS

The Government's proposal to set up an alloy and special steel plant in the public sector appears to be taking definite shape with the examination of preliminary reports received from some foreign firms along

with offers of assistance. The proposal will, however, have to be finalised only after the receipt of detailed project reports which have been invited. The Government have also approved two schemes for the production of pulp required for paper manufacture. One of the proposed units will be in Assam and the other in Madhya Pradesh. It is not definitely known if the proposed Assam unit is to be established by Messrs. Palmer Lawrie. If this is the case, the total investment in the venture may be just under Rs. 5 crores and the International Finance Corporation may also take up a part of the share capital.

The West Bengal Project, proposed by the Durgapur Industries Board, for doubling the capacity of its Coke Oven Plant has just been rejected by the Licensing Committee. The ground for rejection is that Coal tar distillation at the three new steel plants—at Durgapur, Rourkela and Bhilai—would be sufficient for the country's requirements of road tar and other allied chemicals.

The Uttar Pradesh Aluminium Project is also meeting with some difficulties on account of inter-State differences over its location. It was originally proposed that the factory was to be located in Uttar Pradesh as an integral part of the Rihand Project. Recently the Bihar Government have urged its location in their State. It is hoped this delay in reaching a final decision on its location will soon be overcome. The first phase of this Aluminium Project will involve a capital cost of Rs. 15 crores of which Rs. 10 crores would be the dollar component. Messrs. Kaiser Aluminium of the United States are to participate in the capital structure of the Project. The estimated value of indigenous raw materials like bauxite, caustic soda, etc., required in the first phase will be about Rs. 65 lakhs, and Rs. 130 lakhs in the second phase.

IN THE TRADE SECTOR

India's textile exports to the United Kingdom represent 18 per cent of her total textile exports. The question of restricting her exports to the UK in view of the Lancashire textile crisis is due to be discussed in Britain by a delegation consisting of Mr. Kasturbhai Lalbhai and Mr. Neville Wadia. In the meanwhile Sir Frank Lee from Britain has just been here after his visit to Hongkong. It is learnt the Hongkong textile interests have agreed in principle to subject their textile exports to the UK to a ceiling. The Indian textile industry may also follow suit by agreeing to a similar ceiling on its exports. What the ceiling in either case is to be, will be decided at the forthcoming Lancashire talks.

AN UNEXPECTED TURN

The question of appointing non-officials to top posts in the management of public corporations, it now appears, will be settled only after the report of a committee, just set up by the Congress Parliamentary Party under the Chairmanship of Mr. Krishna Menon, is received. The setting up of this Committee is an unexpected development. This committee is to report on the most suitable structure of management for public enterprises in the light of accountability to Parliament. The non-official appointments mentioned in the 'Delhi Notebook' last week will not, therefore, take effect for the present.

"INDIA AND NEW ZEALAND"

— A Correction —

In the fifth paragraph of a leading article under the above title in our issue of March 28 last, export and import figures pertaining to Indo-New Zealand trade were interchanged by mistake. Although the total value of trade between the two countries has always been very small, India has actually been having a surplus on trade account with New Zealand. The mistake is regretted.

The Business World

THE CASE FOR COTTON TEXTILES

By
CROESUS

THE evidence tendered by Mr. Kasturbhai Lalbhai, President of the Indian Cotton Mills' Federation, before the Central Wage Board for the Textile Industry in Ahmedabad, last week, ought to serve as an eye-opener to both the authorities and labour in this country about the plight and prospects of the cotton textile industry. There seems to be an impression that the recent reduction in the excise duties on cloth was all that the industry needed to look up. However, it is more than four weeks now since the above relief was afforded belatedly by the Government of India, and yet one sees hardly any perceptible trace of improvement in the matter of liquidation of the large accumulation of cloth, closures of mills, production or exports. Production in none of the first three months of this year has approached the average monthly production in 1957. Similarly, there has been no improvement in the offtake of cloth. Indeed, the problem of cloth accumulation continues to be a sore problem with the industry still. Here, again, the stocks in none of the first three months of this year have been below the average monthly stocks in 1957. This is very vividly brought out by the extent of advances made by the scheduled banks to the textile industry. This figure reached the all time high figure of Rs. 102.50 crores as on January 17, 1958. Nor is the position in regard to exports quite satisfactory. True, the exports in March improved slightly, but the total for the first quarter of this year still lags very much behind for the corresponding quarter. This is because of the increasing competition that India has been facing in her export markets from Japan, Hong Kong, Pakistan, Western Europe and, lately, also China.

The problem before the industry as well as the Government, therefore, is to see how best the present deterioration in production and, therefore in employment can be stopped and how best cloth consumption at home and cloth exports to other countries could be stepped up. An obvious course that suggests itself to anyone in the prevailing circumstances is that prices might be reduced. But there is a limit to price reduction, especially when costs have all along been steadily rising. When it is remembered that cloth prices today are below those of December, 1955 — a level which was indicated by the former Union Finance Minister at which he would revise the excise duties — the impossibility of further reduction in prices becomes evident. Prices have, indeed, been reduced to the utmost extent that cost and wage inflations have permitted. Cotton price and wage bill together constitute about 80 per cent of production costs and the trend is still upward. Thanks to the Award of the Industrial Tribunal, the cotton mill industry is called upon to pay a very heavy wage bill in the shape of dearness allowances which are linked with the consumer price index number and are governed by the higher neutralisation percentage stipulated. In the case of the wage bill of the cotton mills of Bombay City alone, the increase since 1947 has amounted to the staggering figure of Rs. 7.34 crores!

It is against this background that one has to face the issues raised by the labour unions. Textile labour, judging from the evidence of its spokesmen, is no longer content with a minimum wage or even a fair wage as was understood all along, but wants "a new fair wage structure" based on the present level of prices. It also does not want the division of the pay packet into basic wage and dearness allowance; instead, it wants a fair wage structure based on the present level of prices and separate dearness allowance on a percentage basis. The labour representation also

makes it clear that while fixing the wages on this new basis, the wages of no employee should be adversely affected. A further claim is that, in view of the alleged delay in the appointment of the present Wage Board, the Board should give retrospective effect to its recommendations from January 1, 1957. There are a number of other demands, the total effect of all of which, in short, would be to raise the wage bill of the industry appreciably.

But can the industry afford this? The answer of Mr. Kasturbhai Lalbhai, it is necessary to underline here, took the form of a warning to the Textile Wage Board against any wage increase at this stage. A wage increase now, he said, would add to the inflationary situation already present in the country and, in addition, would step up the cost of cloth production which, in view of the relatively low quality of the Indian cloth, would adversely affect the competitive position of the industry in foreign markets. If India is to compete in the foreign markets, a very important point to be borne in mind is that she has to compete with countries which produce excellent cloth from automatic looms at highly competitive prices. The position of the textile industry in India, on the other hand, is that, in most cases, it has to reckon with machinery that is outmoded and obsolete. If India does not discard these and take to modern and up-to-date machinery in the next few years, India would have to pay very heavily, as Mr. Kasturbhai declared. It is not factually correct to say that the industry's position financially is such that it is able to meet its requirements present and future, as labour leaders seem to think. The problem of rationalisation and modernisation has been discussed with labour leaders and Government at several conferences, without, however, evoking the whole-hearted support from labour. It is only lately that labour has begun to realise that rationalisation, i.e. better utilisation of man, machinery, and management, is necessary in the interests of increasing productivity and reducing costs. Unless this realisation becomes more universal in the ranks of our textile workers and our labour leaders are able to display greater readiness to adopt measures which can improve quality and reduce costs, there can be no hope or future for the Indian textile industry.

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Manager,
The Eastern Economist Ltd.,
52, Jan Path, New Delhi.

BUSINESS NOTES

AN INSTRUCTIVE REVIEW

A STUDY of Mr. G. D. Birla's illuminating reviews annually, as Chairman of the United Commercial Bank Ltd., of the general economy of the country is always rewarding. To talk of the Indian economy today is, in point of fact to talk of the second Plan. At the latest, the fifteenth annual meeting of the Bank, he has, in concise yet comprehensive words, spoken of some issues which deserve urgent as well as deep consideration. (The full text of the speech appears on a later page). For example, he has stressed the need for looking for rupee resources on a scale much larger than has hitherto been done. This is the same view as had been put forth forcefully by the Indian Industrial Delegation in their report on their extensive tour of some foreign friendly countries last winter. External credits are, no doubt, necessary for the execution of the Plan. But there is much substance in what both the Industrial Delegation and Mr. Birla have argued; "if the minimum rupee capital for a project, which roughly comes to some 50 per cent on an average, could not be raised in the country, there would be no basis for seeking credit from abroad".

To find rupee resources has turned out to be much more difficult than could ordinarily be imagined. Loan as well as savings targets as set out in the Plan have not been reached. It thus comes about that if rupee resources are to be found, it can conceivably be achieved only if profitability of industry is restored. Otherwise, there is a real danger that industrial expansion, at least in the private sector, (which nobody should have any difficulty to realise is as vital as any other) may come to very nearly a dead halt. Nothing will be more disastrous for the overall targets of production, employment and income to be realised. Already, industrial expansion has shown disturbing signs of slowing down considerably.

As an astute industrialist and banker of wide experience, Mr. Birla has once again deprecated the tendency in different banks to outbid each other on interest rates in order to attract deposits. This, as he rightly maintains, results in dear money all round which is not entirely harmless for the economy. In the international context, many countries which had put up their bank rates in order to keep in control inflationary tendencies, have revised downward the rates in the face of the threatening American "recession". A wide range of opinions is being put forth on the dangers of inflation and the depredations of recession. It is a matter of the utmost importance to study and understand the real issues and tackle each according as it deserves.

As for the working of the United Commercial Bank, it shows an improved performance in all directions. Total deposits went up by Rs. 8.92 crores to Rs. 61.07 crores at the end of 1957, over 1956. In percentage terms, this rise of 17.1 per cent is higher than the 16.9 per cent in the case of scheduled banks, other than the State Bank of India. Similarly, whether in investments, liquidity ratio or foreign exchange business, there has been satisfactory improvement. However, because of the credit squeeze during the second half of 1957, advances and bills show a decline.

INITIAL EXPERIENCE WITH COMPANY LAW

GIVING HIS experience on the working of the new Companies Act, Mr. Teneti Viswanatham, Chairman of the Company Law Advisory Commission, spoke of two features which, he said, struck him most, namely, (1) the growing awareness of the capitalists of the social

needs of the country, and (2) the patriotism of the younger generation to work for their country. Business men are now aware of the social needs of this country, he said, and this is one of the achievements of independence. The C.L.A.C. Chairman admitted that the law was very severe in certain respects, but, at the same time, he added, it would not pay the business men to flout the law. Although some business men may feel that their business is their own private affair and that the Government should not intervene, Mr. Viswanatham thought that every business was, in a sense, public, because the nation depended on the quality and quantity of production of both the private and public sectors and also depended on the methods employed by business men.

Referring to some important aspects of Company Law administration he said that the definition of a relation seems to cause great difficulty. He admitted that it was difficult at all times especially for directors of large companies, to find out whether any of their relations were employed. He, however, hoped that, as a result of the Viswanatha Sastry Committee's recommendations, the number of relations would be reduced from 84 to about 24 or 32.

Alluding to the limitations, regarding the tenure of the managing agency system and the other restrictions imposed on managing agents, Mr. Viswanatham explained why the Government had to impose these restrictions. And, in this connection, he particularly stressed the point that the Government had consulted business men with considerable experience. The restrictions were partly the result of the belief that whatever may have been the services rendered to the community by managing agents in the past some managing agents had since turned out to be exploiters. Managing agents have, therefore, to disprove and outlive this charge, he said. Cataloguing the restrictions on managing agents, such as limiting their agreement to ten years, the reduction in the allowances taken by managing agents, and the ceiling on expenditure to 11 per cent, etc., Mr. Viswanatham said that good people need not be afraid of the seemingly terrifying provisions under the Act, because they were not going to be affected by them at any rate. In this connection, he disclosed that there were very few complaints — only 120 — in respect of the minimum remuneration fixed for managing agents or salaries for managing directors. As regards complaints about salaries, the usual argument was that about 54 per cent would go away as taxes. But, even so, Mr. Viswanatham felt that inasmuch as, in the ultimate analysis, it was the consumer who had to bear the burden, there was no justification for unduly large remunerations. This view ignores the depletion of salaries and its effect on the net remuneration. In conclusion, Mr. Viswanatham emphasized that we may have to review and revise our economic regulations once in every ten years from the viewpoint of our dynamic policy.

THE CONSEQUENCE OF THE TAX BURDEN

WHILST FORMULATING economic policies, especially taxation policies there are some aspects to which little or no attention is paid by our policy-makers. One such aspect is the impact of their policies on investments. Whether deliberately or otherwise they seem to ignore the markets, without realising that the prosperity of the markets is intimately connected with the country's industrial progress. It is the Stock Exchange that brings the investor big or small, and provides an outlet for his savings. The savings thus channelised go to lubricate the industrial wheel. But, unfortunately,

time, and will still continue to flourish whenever required, is quite fallacious. The foreign buyer may put up with these conditions for a while, but in the meantime he is busily engaged seeking alternative sources of supply and it is usually not long before he finds them. India is desperately in need of Foreign Exchange and in order to earn it a long-term settled Export Policy is essential, even at the risk of some temporary shortages at home. Let us hope that no further obstacles will be placed in the way of exports of yarn and sewing thread and that even at this late hour we may be able to retrieve the position to some extent.

In the meantime owing to the unremunerative prices of weaving yarn many Mills are entering the sewing thread market with the result that keen competition has brought the prices down to very near the cost level.

The remarks made by Mr. Milne, in my absence last year, concerning imported cotton seem to have fallen on deaf ears. As pointed out in the Report, import licences continue to be given on a piecemeal basis which makes purchasing and the planning of future production most difficult. These licences were formerly granted on a "first come, first served" system. I feel that the present quota system, unsatisfactory though it might be, is a far more fair way of allocating the small imports that may be allowed. While urging the Government to continue this system, I would appeal once again for a more far-reaching system of import licences. The country's resources and the Mill Industry's needs can be forecast fairly accurately from year to year, so there seems to be no reason why an import policy for the 12 month period cannot be worked out.

I wish to say a few words about another matter which has been worrying us for some time. Even since the virtual elimination of imports of Rayon Yarn, the local prices have risen very considerably. While there has been a fractional increase in the price of finished Rayon Cloth, it in no way covers the higher price that now has to be paid for the yarn. This is a problem affecting not merely our No. 3 Mill, which as you know

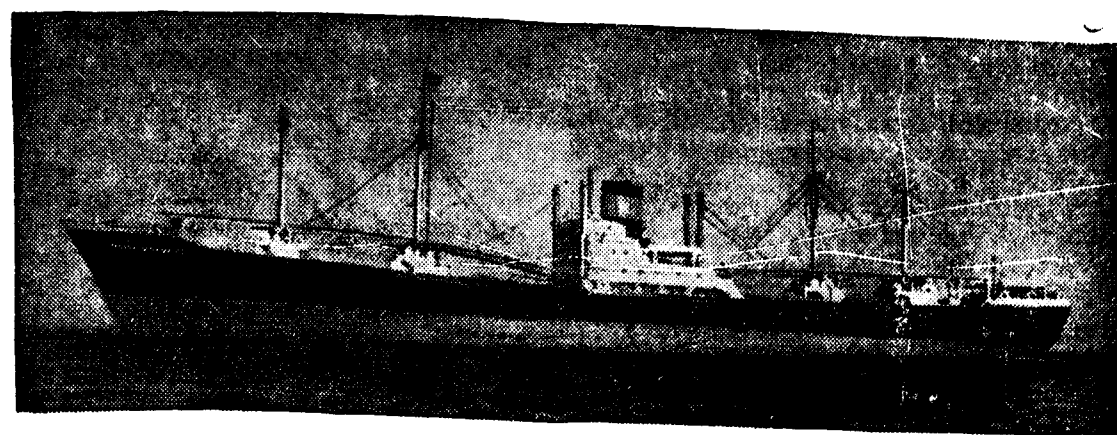
is mainly engaged in the production of Rayon Cloth, but also many smaller units which may be forced to go out of production. It will be in the best interests of the local manufacturers of Rayon, therefore, to ensure that a fair method of distribution at reasonable prices is arranged so that the Art Silk Industry may not be overtaken by shut-downs and unemployment.

With regard to the Selling Agents' Commission for the year under review, I have to report that the Selling Agents have agreed to accept a lower rate of commission that is to say 1 per cent, with effect from 1st January, 1958, until further notice, a measure which I hope will meet with your approval. Normally speaking, the reduction would have been made in 1957 but our Selling Agents asked whether it might be made from the beginning of the current year in order to avoid serious income-tax problems for them. In consequence, the benefit will accrue to the Company from this year onwards until such time as the profits have returned to normal.

You will expect me to say something about the future. It is difficult to be optimistic though personally I feel we are over the worst, and that a slow and gradual improvement may be hoped for. Large withdrawals have had to be made this year from the Reserves to meet tax liabilities and to maintain the dividend and this is not a process that can be continued indefinitely. Unless market conditions improve quicker than seems likely it may be necessary to reduce the dividend next year. I hope we shall not have to take this step but I feel it my duty to warn you now of the possibility.

Meanwhile, your Agents are taking all possible steps to reduce costs and have other plans in mind to increase the earning capacity of your Mills in the future.

Note: This does not purport to be the proceedings of the Meeting which is being sent separately to shareholders.



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Company Meeting

THE UNITED COMMERCIAL BANK LIMITED

Statement of Shri G. D. Birla, Chairman circulated to the shareholders at the Fifteenth Ordinary General Meeting of the Bank held on 9th April, 1958

Gentlemen,

The Balance Sheet and Profit and Loss Account of the Bank have been in your hands for some time and you would, no doubt, have noticed with pleasure the continued progress achieved by the Bank during the year to which the accounts relate.

DEPOSITS

You will notice that the total of the current, savings and fixed deposits and other accounts at the end of 1957 stood at Rs. 61.07 crores as compared with Rs. 52.15 crores at the end of 1956. The increase in deposits of Rs. 8.92 crores represents a rise of 17.1 per cent, which is a higher rate of increase than 9.3 per cent recorded in 1956 and compares with the rise of 16.9 per cent in the deposits of scheduled banks other than the State Bank of India, for the year 1957. The rise in the deposits of the State Bank of India was much higher than that of the banking system by reason of certain adventitious factors to which reference is made in the report of that bank.

CASH

Cash on hand and with banks and money at call and short notice amounted to Rs. 8.28 crores and represented 13.5 per cent of our deposit liabilities.

INVESTMENTS

The investments of the Bank in Government and other approved securities at Rs. 19.94 crores were only Rs. 50 lakhs higher than our holding at the end of 1956. The additional resources which accrued to the bank from the increase in deposits were utilised primarily to repay the loan taken from the Reserve Bank of India during the 1956-57 busy season, thereby enabling the bank to work within its own resources. The cash balances and unencumbered investments together amounting to Rs. 27.92 crores give a ratio of 45.7 per cent to total deposits.

BILLS

The amount of bills discounted and purchased declined from Rs. 15.92 crores to Rs. 13.00 crores but the high figure of bills at the end of 1956 was due to the conversion of advance accounts into bills for "re-discount" with the Reserve Bank of India under the Bill Market Scheme. The figure at the end of 1957 is the normal figure and does not include any created bill. This self-liquidating asset forms 21.3 per cent of the deposits of the Bank.

LIQUIDITY RATIO

The total of our liquid assets, cash on hand and with banks, money at call and short notice, unencumbered investments and bills represents 67 per cent of our deposit liability which, you would agree, is a highly satisfactory liquidity ratio.

ADVANCES

Our advances at Rs. 24.69 crores are roughly 40 per cent of our deposits. There is a decline in the

total of our advances and bills in conformity with the policy of credit squeeze pursued during the second half of 1957.

FOREIGN EXCHANGE BUSINESS

The foreign exchange business of our Indian and overseas branches continued to expand and our London branch shows considerable increase in its activity and usefulness.

The credit for the excellent results of the working of the Bank goes primarily to the General Manager, Mr. S. T. Sadasivan and his able deputies and assistants, to whom I take this opportunity of offering the thanks of myself and of the Board of Directors. I wish also to record our thanks to the other members of the staff of the Bank or their contribution in achieving these results and I look forward to greater co-operation from them in the current year and the years to come.

BANK RATE

The official Bank Rate of the Reserve Bank of India was raised on the 15th May, 1957 from 3½ per cent to 4 per cent, but the rate for advances to scheduled banks against Government Securities, which had earlier been raised from 3½ per cent to 4 per cent, was left unchanged. At the same time, the stamp duty on usance bills of exchange, which was intended to act as a surcharge on interest rate and which was raised to 2 annas per cent for 3 months or part thereof, was reduced to 1/5 of 1 per cent per annum. As a result of these changes, loans against Government Securities cost the scheduled banks 4 per cent while loans against bills cost a minimum of 4-1/5 per cent.

MONEY MARKET

Monetary conditions during the earlier part of 1957 were, as a result of the severity of the 1956-57 busy season as well as the already fully extended position of the banking system, extremely stringent, and the demand for accommodation from trade and industry imposed a severe strain upon the resources of the commercial banks. In addition to the need to satisfy this seasonal demand, the banks were called upon to finance the heavy imports of steel which were at the time being made. Fortunately, the Reserve Bank of India, which has displayed a sensitive awareness of its role in the monetary sphere in terms of the implementation of the second Plan, suitably anticipated the difficulties that might be presented during the 1956-57 busy season, and, by substantially liberalising the bill market scheme, under which it approved lines of credit totalling approximately Rs. 150 crores, thereby giving the banks all the money they asked, enabled the commercial banks to tide over this period of stringency. Borrowings from the Reserve Bank of India against both Government Securities and bills reached a peak of Rs. 103 crores at the end of March 1957, and this figure would have been much higher but for the receipt by the State Bank of India of extraordinary deposits arising from the sale of U.S. surplus commodities under P. L. 480 which enabled the bank to dispense with borrowings from the Reserve Bank of India altogether.

At about the same time, but gathering momentum in the second half-year, the deposits of commercial banks also began to rise and eased the strain under which they were functioning. But during the great part of the year scheduled banks, other than the State Bank of India, and, in particular, the Exchange Banks, had to resort to heavy borrowings from the central banking institution and also to sell off a part of their holding of Government Securities.

CREDIT SQUEEZE

It was during the slack season of 1957 that the favourable circumstance of an increase in deposits, coupled with a decline in advances, began week by week to improve the position of scheduled banks. On the one hand, early in June, the Reserve Bank of India, in pursuance of its policy of selective monetary control and with a view to bringing down prices and discouraging speculative holdings of stocks, directed the commercial banks to reduce the level of advances against food grains. A few days later the Reserve Bank advised the banks generally to reduce the volume of advances and gradually to lower the advances-deposits ratio from the high level that it had reached at the peak of the busy season, so that the banks could, while regaining normal liquidity, find themselves in a better position to take on the next season's demand for finance without undue dependence on the Reserve Bank for accommodation. Towards the close of the year, the Reserve Bank made it known to the scheduled banks that the facilities under the bill market scheme would not be as liberal as they were at the beginning of the year and that the banks should, normally, try to work on the basis of their own funds and only with a modest resort to central bank credit. These measures, which should be construed to be tantamount to a "credit squeeze", succeeded in bringing about a reduction in the level of scheduled banks' advances from the busy season peak of Rs. 939.87 crores to Rs. 839.98 crores at the end of November 1957. On the other hand, the process of augmentation, throughout the period, of the deposit resources of scheduled banks gathered momentum. During 1957, deposits of all scheduled banks rose from Rs. 1,101 crores to Rs. 1,369 crores. Even if the State Bank were left out of the reckoning, by reason of its extraordinary receipts, the improvement in the deposits of the other scheduled banks, still, amounted to the considerable figure of Rs. 145 crores.

INTEREST RATES ON DEPOSITS

It is clear that the disbursements in connection with the second Plan are to be seen as having a directly favourable impact upon the resources of the banking system. Set against this fact, I find it difficult to understand why banks should persist in bidding for deposits by means of steadily mounting rates of interest. The published accounts of banks reveal how steeply the figure of interest paid on deposits has risen. I had occasion some years ago to speak to you on this same matter when I deprecated the alarming tendency to try to attract fresh deposits by means of higher interest rates. I would like to reiterate here my plea for restraint in the competition for deposits through high rates. If it is conceded that the second Plan disbursements by themselves result inevitably in the flow of new deposits it follows logically that the attraction of higher interest rates is unnecessary in order to induce deposits.

THE ROLE OF THE RESERVE BANK OF INDIA

It is a matter of pride to hear the Indian central banking institution being described as one of the most efficient in the world. This is no exaggeration, for, the selective monetary control instituted by the Reserve Bank has succeeded in keeping at bay the inflationary

pressures which this country had to face during 1957. While it is true that the inflationary potential in deficit financing was partly offset by the contractionary influence of a balance of payment deficit, the fact, nevertheless, remains that, by timely directives, the Reserve Bank has played a considerable part in imbuing the Indian economy with stability and in preventing the price situation from getting out of hand.

INTERNATIONAL ECONOMIC SCENE

I shall now turn my attention, albeit briefly, to the international economic scene. After a long tussle with inflation, dear money enthusiasts in the rest of the world have finally won the battle so well as to have induce deflation! The result is that many countries are trying to change into reverse gear, but the process appears to be difficult, and recession in the United States of America is threatening to become an invisible export to other countries. The United States unemployment has reached a 16 year peak of 5.1 million, and other economic indicators also presage a difficult time for the economy. This recession is sought to be got over by a number of programmes, including the easing of credit. For the third time in recent weeks, the Federal Reserve Bank approved a reduction in the discount rate and the latest cut of half per cent brings the rate down to 2½ per cent. The Bank of England has also followed the general trend and reduced the bank rate by 1 per cent to 6 per cent. Among other countries which have effected a reduction in the discount rate in West Germany, where the Deutsche Bundesbank reduced the bank rate by half per cent to 3½ per cent. This is the fourth successive reduction since the autumn of 1956. The Netherlands Bank also cut its bank rate by half per cent to 4½ per cent. Quite suddenly, it seems to me that the bogey of inflation has yielded place to the reality of recession. While I shall not presume to advocate a world-wide cheap money policy — after all, conditions in the various countries differ widely, and the level of Bank rate must be consistent with trends in the internal economy of each country — I should nevertheless, point out that we seem to have reached a stage where we may be exaggerating the effect of inflation in present-day conditions. A study has to be made of the extent to which a rise in prices is not necessarily evidence of inflation. After all, when there occurs an improvement in the standard of living, some element of increase in the price level is inescapable. And it is true to say that never before in economic history have so many countries participated in so general a rise in the standard of living. Finally, I should like to say that, in our pre-occupation with the so called dangers of inflation, we should not allow ourselves, as the rest of the world had during 1957, to become oblivious to the even greater danger of recession.

CAPITAL MARKET

The prices on the Stock Exchange continued to decline and the downward trend was accentuated by the budget of May 1957 which introduced several new taxes and still further reduced individual and corporate saving capacity. A few new issues of capital and offers for sale were successfully put through, but these issues were rather exceptional, and conditions in the Stock Exchange have remained wholly unfavourable for the raising of any capital for new enterprises. The yield on industrial securities rose from 5.75 per cent (tax-free) at the beginning of the year to 7.26 per cent (tax-free) at the end of the year and this factor also contributed to the difficulty of existing companies in procurement of fresh capital by way of debentures or preference shares at reasonable rates. The Industrial Delegation which visited the United States and Europe has pointed out that the limiting factor in getting credit from abroad is not so much the reluctance on the part

of foreign institutions and suppliers to give credit as the difficulty of raising internal capital in India itself. It is really the quantum of Rupee capital available in India which would appear to determine the finance that could be obtained from abroad. Broadly speaking, it would be necessary to raise 20 per cent of the capital to be used for the purchase of equipment for any project and the whole of the rupee counterpart of the expenditure on the project before foreign credits could be sought for the rest of the capital. If the minimum rupee capital which, thus, would come to about 50 per cent of the entire cost of a project could not be raised in the country, there would be no basis for seeking credit from abroad. In view of the fact that it is almost impossible to raise any substantial amount of rupee equity capital, industrial expansion in the private sector will have to come to a stop unless the profitability of industry is restored to a reasonable level through fiscal reliefs.

It is gratifying to learn that the efforts of the Government of India to raise Dollar credits in the United States of America have been successful and that loans of \$150 million from the Export Import Bank and \$75 million from the Development Loan Fund have already been arranged, part of which is available for utilisation by the private sector in cover of 100 per cent of the cost of purchase from the United States. These arrangements imply that if the private sector is to derive benefit from these loans it should be able to raise immediately the rupee capital required or the full cost of any project and not merely 50 per cent of the cost which would have suffered under schemes of deferred credit or foreign participation.

ECONOMIC SITUATION

I now turn to the review of Indian economy, and, in doing so, I have inevitably to deal with the second Five-Year Plan, the execution of which has become a subject of controversy. There are those who vehemently insist that the plan be implemented in toto irrespective of the cost or availability of resources, while others urge that the plan be pruned or rephased without stating how or to what extent the re-planning should be done. People are apt to forget that the plan is not an end in itself but only a pointer to certain objectives, viz., greater production, fairer distribution and increased employment.

The plan envisages an outlay of Rs. 4,800 crores in the public sector and Rs. 2,400 crores in the private sector, making a total of Rs. 7,200 crores which, in subsequent estimates, has been still further increased to allow for increased costs and additions to projects. But, sticking to the original estimate of expenditure in the public sector, the main provisions are: Rs. 2,300 crores for transport, communications, power and irrigation; Rs. 340 crores for agriculture and Rs. 690 crores for industry and mining in the public sector (total Rs. 3,330 crores), and Rs. 700 crores for industry, mining and plantations in the private sector. The projects covered by these allotments constitute the core of the plan, the rest of the plan expenditure being for community projects, social services and the like. In insisting that the plan shall be put through at all costs, the Government is more figure-conscious than performance-conscious, more insistent on the amount of plan expenditure than on the achievement of the planned rise in production or planned increase in employment. The public sector is faced with difficulties in the matter of both spending to the target limit as well as in achieving the production and employment targets. On the other hand, it would appear that the private sector is almost certain to complete its assigned task and invest its full quota of earmarked resources well before the end of

the plan period. Mr. T. T. Krishnamachari, whose exit from the Finance Ministership I deeply deplore, speaking before the Annual Meeting of the World Bank on September 25, 1957 said:

"Private enterprise is, in fact, playing a vital role in India. Indeed, its development has never been more marked or varied at any previous period than during the past ten years. To some extent our recent difficulties stem from the very sizeable boom in private investment that has been under way. We do not regret this boom as it takes us a step forward towards our objective of higher levels of living".

The physical targets assigned to the private sector are also well on the way to fulfilment. The index of industrial production has risen from 100 in 1951 to 168.5 in June 1957.* Privately owned collieries are already producing coal at an annual rate of 40 million tons against a target of 48 million tons in 1961. Textile mills were briskly moving towards the plan target of 3500 million yards, but there is not enough cotton available to enable this quantity of cotton textiles to be manufactured, and as both internal consumption and exports have dwindled, the plan target will have to be lowered. Expansion of manufacturing capacity in cement is lagging behind on account of foreign exchange shortage, but enough progress has already been achieved to make the supply position turn easy. Steel is an easy winner. Owing, however, to factors, all too familiar, of shortage of foreign exchange and lack of internal capital, the tempo of industrial expansion is slowing down and the goal of 8 million new jobs is receding. It, therefore, behoves the Government to re-appraise the situation and initiate policies calculated to reactivate the industrial sector and to increase the foreign exchange earnings on our export trade.

THE NEED FOR FOREIGN CAPITAL

Our foreign exchange needs will, for years to come, exceed our earnings. But I am averse to the idea of continued borrowing from abroad because, ultimately, the problem of repayment would become acute. Already, we have piled up future liabilities at an average rate of Rs. 90 crores per annum for a four-year period beginning from 1960-61. It would be better to create a favourable atmosphere in which foreign capital would feel encouraged to invest in our enterprises. Such foreign participation in equity capital would contribute to the creation of new wealth and the question of repatriation of capital would normally not arise so long as private enterprise is allowed to function with a reasonable degree of freedom. In this connection, I should like to bring to the notice of the Government of India the note handed to the Indian Industrial Delegation by the Department of Commerce, Washington, listing the factors which are considered to constitute some of the obstacles to US investment in India and to appeal to the Government to take action to remove the deterrents.

AGRICULTURE

The weakest feature of the second Five-Year Plan is the imbalance between agriculture and industry. Agriculture occupies a key position in our economy. At the end of the second Plan period our total national income is expected to rise to Rs. 13,500 crores of which nearly 46 per cent is expected to come from agriculture. If agricultural production is not increased substantially, the purchasing power of the countryside will, in relation to industrial production, be reduced and the latter will ultimately have to go down. Increased food production

* The index number for June 1957 is taken because it was at that time that Sugar factories ceased production for the season.

would abolish scarcity conditions with attendant wholesome effect on the psychology of the masses and creation of conditions favourable to higher production. This should be emphasized from another angle also for, it is difficult to contemplate with equanimity, in view of the deteriorated foreign exchange situation, continued imports of between two and three million tons of food grains a year for as far ahead as we could visualize. While production of grains in absolute figures is not declining, the increase in output is not commensurate with the addition to population. Even after allowing for the vicissitudes of the monsoon and the failure of rains in some parts of the country it should be possible with greater utilisation of available water in other parts and through more intensive cultivation, to produce a higher of food grains per acre. But unfortunately, the cut in fertiliser imports is likely to reduce agricultural production still further. We cannot afford to build steel mills at the risk of jeopardising food supplies. The least that should be done is to erect more fertiliser factories at the same time as steel mills.

Increased production of cash crops could also alleviate our foreign exchange position. An additional 1 million bales each of jute and cotton, per annum would mean an annual gain of almost Rs. 55 crores in foreign exchange. There is a scarcity of vegetable oils all over the world and the prices of copra and oilseeds have either remained steady or only slightly declined in the commodity markets of the world while other internationally traded commodities have been sagging. Our production of oilseeds and the yield of oilseeds per acre have remained static and a 25 per cent rise in the output of oilseeds would enable us steadily to export to foreign markets vegetable oil which is so much in demand. We were successful last year in exporting about 160,000 tons of sugar earning valuable foreign exchange. Again if only we could increase the production of food grains by 10 per cent and improve

the export of tea and ores, we could achieve a diversification of our exports and substantially improve our foreign exchange earnings with resultant benefit to our foreign exchange reserves. I would go to the length of suggesting that exports of sugar and other commodities in international demand should be encouraged even at the risk of such commodities becoming somewhat scarce in the country or of subsidising such exports.

TAX RELIEF

I feel happy to conclude my speech on a note of favourable import. Government have recently announced certain fiscal reliefs by way of repeal of the compulsory deposit of reserves relating to the year 1958-59 and reductions in excise duties on various qualities of cotton textiles. While it had been hoped that these concessions might have formed part of the budget proposals themselves, it is heartening to note that, on due representation being made to them, Government have seen the validity of the requests for relief and have accorded it. If, as I hope, this is indicative of the willingness on the part of the Government to study each situation dispassionately, and not merely from the point of view of revenue, we may look forward to revisions being announced and implemented by Government at timely junctures.

NEW FINANCE MINISTER

I have great pleasure in welcoming the appointment of Mr. Morarji Desai as Finance Minister. He has held charge of the Ministry of Commerce and Industry with great distinction and he brings to his new and onerous task a reputation as an extremely able and efficient administrator. I am sure finance is in the hands of one who will safely steer this important portfolio through the remaining difficult years of the second Plan period.

NOTE: This does not purport to be a report of the proceedings of the annual general meeting.

THE BANK OF INDIA LIMITED.

(Established 7th September, 1906.)

**CAPITAL—AUTHORISED
ISSUED & SUBSCRIBED** .. Rs. 5,50,00,000
CAPITAL PAID-UP .. Rs. 3,00,00,000

Head Office:

RESERVE FUND .. Rs. 3,10,00,000
MAHATMA GANDHI ROAD, FORT, BOMBAY.

**BRANCHES IN THE PRINCIPAL CITIES
OF INDIA**

BRANCHES OUTSIDE INDIA:

LONDON,—17, Moorgate, London, E.C.2.

ADEN, DAR-ES-SALAAM, JINJA, KAMPALA,
KARACHI, MOMBASA, NAIROBI, OSAKA,
SINGAPORE, TOKYO.

Through its Branches in India, Pakistan, Malaya, Japan, Aden, East Africa and London and through correspondents in the principal countries of the world, the Bank is able to finance business of every description on favourable terms.

T. R. LALWANI,
General Manager.

THE SASSOON SPINNING AND WEAVING COMPANY, LIMITED

The Eighty-fifth Annual General Meeting of The Sassoon Spinning and Weaving Company, Ltd., will be held at the Registered Office of the Company, Mafatlal House, Backbay Reclamation, Bombay-1, on Monday, the 28th April, 1958, at 3 p.m. (S.T.), to transact the business as per Notice circulated to the Shareholders along with the Explanatory Note pertaining thereto.

By Order of the Board of Directors,
M. G. Investment Corporation Private Limited,

ARVIND N. MAFATLAL,
Director, Managing Agents.

Mafatlal House,
Backbay Reclamation,
BOMBAY-1, 8th March, 1958.

N.B.—(1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.

(2) The Transfer Books of the Company will be closed from Friday, the 11th April, 1958, to Friday, the 2nd May, 1958 both days inclusive.

(3) Dividend as recommended by the Directors, when sanctioned at the General Meeting, will be paid from Monday, the 5th May, 1958, to Thursday, the 31st July, 1958, at the United Commercial Bank Limited, Reclamation Branch, Bombay-1, during business hours, and thereafter at the Registered Office of the Company during office hours, excepting on Saturdays, to those Shareholders whose names are on the Company's Register on Friday, the 2nd May, 1958.

COMMODITY NEWS AND NOTES

INCREASE IN 'BAJRA' PRODUCTION

According to the Directorate of Economics and Statistics, Ministry of Food and Agriculture, the all-India final estimate of 'bajra', 1957-58, puts the current year's area and production of the crop at 27,453,000 acres and 3,565,000 tons respectively, as against the partially revised estimate of 27,884,000 acres and 2,885,000 tons for 1956-57. This shows a considerable increase of 680,000 tons or 23.6 per cent in the current year's production of 'bajra', despite a slight decrease of 431,000 acres or 1.5 per cent in area. The decrease in area during the current year has been shared mainly by Bombay, Punjab and Uttar Pradesh, and is due largely to unfavourable climatic conditions at the time of sowing. In Rajasthan, Andhra Pradesh and Madras there is some increase in the current year's area under the crop, which is reported to be due to favourable season at the time of sowing. Despite a decrease in area, the overall production of the crop shows a considerable increase during the current year, as compared to previous year. This increase has been shared by almost all the major 'bajra' producing States, notably Rajasthan, Bombay, Andhra Pradesh and Uttar Pradesh, and is due mostly to better climatic conditions during the growing period of the crop. Production estimates for 1957-58 and 1956-57 in respect of Andhra Pradesh, Bombay (excluding Vidarbha region), Madhya Pradesh, Madras, Mysore, Punjab, Rajasthan and Uttar Pradesh are based on the results of random sample crop estimation surveys. This estimate also includes information for "non-reporting areas", that is, areas for which no forecasts are prepared. The "non-reporting areas" for this estimate include Jammu and Kashmir and non-reporting pockets in Madhya Pradesh and Mysore, which together account for an area of 35,000 acres and a production of 10,000 tons during 1957-58.

OUTPUT AND STOCKS OF SUGAR

The production and despatches of indigenous sugar amounted to 17.13 and 8.08 lakh tons up to March 31, 1958, in the current season, as against 15.44 and 8.37 lakh tons respectively in the corresponding period of the last year. The stocks with the factories on March 31, 1958, stood at 13.34 lakh tons, as compared with 12.35 lakh tons last year.

INCREASED PRODUCTION OF CHROMITE IN INDIA

The production of chromite in India increased by 25,856 tons to 78,542 tons during 1957, according to the Indian Bureau of Mines. The production during the previous year was 52,686 tons. The production during the quarter ending December 1957 was 21,734 tons as against 12,318 tons in the quarter ending September 1957. The production was higher by 8,187 tons as compared to the corresponding quarter of 1956. Orissa, which is a

leading producing State, accounted for 18,271 tons while output from Mysore and Bihar was 2,882 tons and 581 tons respectively.

OUTPUT OF WOOLLEN AND WORSTED YARN

In 1957 the output of woollen and worsted yarn amounted to 27.82 million lbs. — 9 per cent greater than in the previous year. As compared to the year 1956, cloth production was higher by 2.6 million yards. So far as consumption of raw wool top by the organised woollen mills is concerned the increase is by 9.12 per cent which brings the total consumption by the mills to 30.13 million lbs.

A. Production of Woollen/Worsted Fabrics of the Organised Woollen Mills (in Million Yards)

Fabrics	1954	1955	1956	1957
Suitings	5.33	4.55	5.42	6.30
Blankets and rugs. .	2.05	3.27	4.19	4.75
Melton and Shoddy .	1.04	0.54	0.16	0.28
Lohis and Shawls . .	1.58	1.96	1.89	2.10
Uniform Cloth . . .	1.22	0.86	0.97	1.26
Other Sorts	2.53	2.78	3.71	3.80
TOTAL	13.75	13.96	16.34	18.49

B. Production of Woollen/Worsted Yarn of the Organised Woollen Mills (in Million lbs.)

	1954	1955	1956	1957
Woollen Yarn	8.90	10.28	11.62	13.10
Worsted Yarn	10.50	10.41	13.97	14.72
TOTAL	19.40	20.69	25.59	27.82

C. Consumption of Raw Wool and Wool Top by the Organised Woollen Mills (in Million lbs.)

	1954	1955	1956	1957
Indigenous Raw Wool .	5.30	6.60	6.82	7.09
Imported Raw Wool . .	2.34	2.56	2.43	3.80
Imported Wool Top . .	10.12	10.82	14.38	14.74
Reclaimed Wool and Waste	2.48	3.44	3.85	4.50
TOTAL	20.24	23.42	27.48	30.13

D. Installed Capacity Rated Capacity (Worked on average counts and qualities on the basis of a single shift of 8 hours) (Million lbs.)

Woollen Spindles 60,979	Woollen Yarn	8.5
Worsted Spindles 1,17,359	Worsted Yarn	11.7
Powerlooms 4,042	Woollen/Worsted Fabrics	24.0

INVEST IN
CENTRAL BANK'S
THREE YEARS CASH CERTIFICATES
and
EARN COMPOUND INTEREST
AT 4 PER CENT. PER ANNUM.
EVERY Rs. 88-90 DEPOSITED WILL BRING YOU Rs. 100-00
AFTER 3 YEARS.
For Rules apply at any of our Branches
THE CENTRAL BANK OF INDIA LTD.

LLOYDS BANK

(Incorporated

BALANCE SHEET 31st

LIABILITIES

CAPITAL:

Authorised: 74,000,000 Shares of £1 each	£ 74,000,000
Issued: 18,565,070 Shares of £1 each, fully paid	£ 18,565,070

RESERVE FUND:

Capital Reserve (including Share Premium Account, £1,143,683)	1,982,108
General Reserve	16,017,892
Profit and Loss Balance, as per Account below	18,000,000
	826,712
	37,391,782
Current, Deposit, and other Accounts, including Contingency Accounts (Public Accounts secured as per Note III are also included)	1,257,522,595
Balances in Account with Subsidiary Companies	1,329,357
	1,258,851,952
Final Dividend, less Income Tax (subject to confirmation by the Members)	693,870
Notes in Circulation (Isle of Man) (see Note III)	9,368
Acceptances	5,470,423
Endorsements, Guarantees, and other Obligations	175,517,906

Notes:

- I. Investments in British Government Securities amounting to £326,285,199 (1956: £326,055,546) are taken at or under cost and below redemption price. The market value of these investments at the 31st December, 1957 was £317,103,721 (1956: £317,930,506). Provision for the difference has not been made and is regarded as unnecessary as all the securities are redeemable at fixed dates, the majority within 10 years.
- II. Other Investments: the market value of the quoted investments at the 31st December, 1957 was greater than the balance sheet figure.
- III. Securities and Other Investments totalling £550,000 (1956: £545,875) nominal are lodged for Public and Other Accounts and for the Note Issue in the Isle of Man.
- IV. Foreign Currencies have been converted at the rate of exchange ruling at the 31st December, 1957; in the case of Eastern branches, as at the 31st October, 1957.

E. J. HILL, Chief General Manager

H. A. BEASLEY, Chief Accountant

£1,477,935,301

PROFIT AND LOSS ACCOUNT

Dr.

To Interim Dividends, less Income Tax	£ 693,869
" General Reserve	500,000
" Reserve for Future Contingencies	500,000
" Final Dividends, Less Income Tax (subject to confirmation by the Members)	693,870
" Balance to be carried forward	826,712
Note: Directors' emoluments amounted to £78,518 (1956: £77,053), including £8,325 (1956: £8,549) paid to certain Directors by subsidiary and other Companies and £2,500 (1956: £2,500) pension to a Director in respect of past services as Chairman	£3,214,451

REPORT OF THE AUDITORS TO

In our opinion and to the best of our information and according to the explanations given to us, the foregoing accounts of the Bank, with the annexed statements relating to the Bank's subsidiaries, The National Bank of Scotland Limited and Lloyds Bank (Foreign) Limited, give in the prescribed manner the information required of banking companies by the Companies Act, 1948 and on the basis therein authorised give, subject to Note I and to the corresponding note on the accounts of The National Bank of Scotland Limited, a true and fair view of (a) the state of the Bank's affairs as at 31st December, 1957, and of its profit, ascertained as indicated in the accounts, for the year ended on that date and (b) the state of affairs and the profit, ascertained as indicated in the accounts and annexed statements, of the Bank and its subsidiaries so far as concerns members of the Bank.

LIMITED

in England)

DECEMBER 1957

ASSETS

Cash, in hand, with Bank of England and Eastern Reserve Banks	£ 104,492,008
Balances with, and Cheques in course of collection on, other Banks in the United Kingdom and Ireland	74,929,241
	£ 179,421,249
Money at Call and Short Notice	87,813,750
Balances with Banks abroad	7,991,115
British Government Treasury Bills	265,605,000
British Bills of Exchange	8,619,560
Dominion, Colonial and Foreign Bills (including India, Pakistan and Burma Treasury Bills, £37,500)	2,421,217
	276,645,777
Investments (see Notes I, II and III):—	
Securities of, or guaranteed by, the British Government	326,285,199
Other Investments, including Securities of Dominion and Colonial Governments, British Public Boards and British Municipal Corporations	32,361,379
	9,193,906
	367,840,484
Loans and Advances after deducting provision for Bad and Doubtful accounts	327,252,176
Balances in Account with Subsidiary Companies	71,933
	327,324,109
Items in Transit	21,956,963
	£1,268,993,447

Trade Investment:

Subsidiary Companies	
The National Bank of Scotland Limited	
Consolidated Capital Stock £4,905,877 (nominal), £1,962,351 paid up, taken at amount paid up, plus proportion of Reserve Fund and undivided Profits (see Note I on attached accounts)	4,450,261
Lloyds Bank (Foreign) Limited	
24,000 Shares of £50 each, fully paid at £50 per share	1,200,000
Lloyds Bank Executor and Trustee Company (Channel Islands) Limited	
100,000 Shares of £1 each, fully paid, at cost	100,000
	5,750,261
Other Trade Investments at cost or under	4,464,431
	10,214,692

Note: There is a contingent liability for uncalled Capital in respect of a portion of these Investments.

Other Assets and Accounts (including sundry Properties at cost, less amounts written off)	6,186,175
Bank Premises, at cost, less amounts written off	11,552,658
Liabilities of Customers for Acceptances, as per contra	5,470,423
Liabilities of Customers for Endorsements, Guarantees, and other Obligations, as per contra	175,517,906

OLIVER FRANKS, Chairman JEREMY RAISMAN, Deputy-Chairman

£1,477,935,301

FOR THE YEAR 1957

Cr.

By Balance brought forward	£ 712,060
Profit brought in, after providing for taxation on the the profits of the year and after making transfers to the credit of contingency accounts, out of which accounts full provision has been made for any diminution in value of assets (subject to Note I on the balance sheet)	2,502,391
	£3,214,451

THE MEMBERS OF LLOYDS BANK LIMITED

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for our audit. In our opinion the Bank has kept proper books of account and obtained proper and adequate returns from the branches and the above accounts of the Bank are in agreement therewith. The accounts of the Eastern branches are included therein as at 31st October, 1957 and the accounts of the subsidiaries are made up to 1st November and 30th September, 1957 respectively,

3, Frederick's Place, London, E.C. 2. 14th January, 1958 PRICE WATERHOUSE & CO., Chartered Accountants

BALANCE SHEET OF THE INDIAN BRANCHES OF LLOYDS

CAPITAL AND LIABILITIES

Capital:	Rs.	nP.	Rs.	nP.
Deposit with Reserve Bank of India under Section 11(2) of the Banking Companies Act 1949.				
2½ Per cent Loan 1961 Rs. 25,00,000 @ Rs. 94.45	23,61,250	. 00		
Reserve Fund and Other Reserves			Nil	
Deposits and Other Accounts:				
short Deposits and Deposits at call	5,83,30,313	. 87		
Fixed Deposits	5,14,03,799	. 58		
Savings Bank Deposits	10,90,73,382	. 27		
Current Accounts, Contingency Accounts, etc.	22,01,12,720	. 62	43,89,20,216	. 34
Borrowings from other Banking Companies, Agents, etc.—				
(i) In India	1,35,30,000	. 00		
(ii) Outside India	Nil		1,35,30,000	. 00
Particulars:				
(i) Secured by Central Government Securities per contra Rs. 50,30,000 . 00				
(ii) Unsecured „ 85,00,000 . 00				
	<u>Rs. 1,35,30,000 . 00</u>			
Bills Payable			29,94,125	. 16
Bills for Collection being Bills Receivable as per Contra:				
(i) Payable in India	3,15,75,678	. 69		
(ii) Payable outside India	75,06,249	. 46		
			3,88,81,928	. 15
Other Liabilities:				
Inter Branch Adjustments — Branches in India	2,30,678	. 85		
Staff Provident Fund	46,63,209	. 25		
Acceptances, Endorsements and other Obligations — per Contra			48,93,888	. 10
Contingents Liabilities:			5,69,37,208	. 19
Liability on account of outstanding Forward Exchange Contracts	Rs. 15,07,09,962	. 66		

AUDITORS' REPORT ON THE INDIAN BRANCHES OF LLOYDS BANK LIMITED

UNDER SECTION 30 OF THE BANKING COMPANIES ACT, 1949

We have audited the Balance Sheet of the Indian Branches of Lloyds Bank Limited dated 31st December, 1957, and above set forth and the annexed Profit and Loss Account for the year ended 31st October, 1957 with the books and accounts as kept at the Chief Managers' (Eastern Branches) Office, Calcutta, in which are incorporated certified returns from the ten Indian Branches and also with the books and accounts kept at the Calcutta Branch.

In accordance with the provisions of Section 29 of the Banking Companies Act 1949 read with the provisions of Section 211(1), (2) and (5) and Section 227(5) of the Companies Act 1956, the Balance Sheet and Profit and Loss Account are not required to be and are not drawn up in accordance with Schedule VI of the Companies Act, 1956. The accounts are therefore drawn up in conformity with Forms A and B of the Third Schedule of the Banking Companies Act 1949.

We report that:-

(a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

BANK LIMITED AS AT 31st DECEMBER 1957.

		PROPERTY AND ASSETS		Rs.	nP.	Rs.	nP.
Cash—							
In hand and with Reserve Bank of India and State Bank of India (including foreign Currency Notes)	.. ..			2,61,51,391	43		
Balances with other Banks —							
Current Accounts—							
(i) In India	.. ..			1,51,841	92		
(ii) Outside India	.. ..			15,29,157	68	16,80,799	60
Money at call and short Notice	.. ..					1,97,00,000	00
Investments — At or under Market Value							
(i) Securities of the Central and State Governments and other Trustee Securities, including Treasury Bills of the Central and State Governments (of which nominal value Rs. 8,63,60,400 . 00 are lodged as securities for borrowings from other Banks and for other accounts).	.. ..			11,54,23,903	07		
(ii) Shares	.. ..			6,63,100	00		
(iii) Debentures or Bonds	.. ..			Nil			
(iv) Other Investments	.. ..			Nil			
(v) Gold	.. ..			Nil		11,60,87,003	07
Advances—							
(Other than bad and doubtful debts for which provision has been made to the satisfaction of the auditors).							
(I) Loans, Cash Credits, Overdrafts etc.—							
(i) In India	.. ..	Rs. 26,90,83,861	49				
(ii) Outside India	.. ..	Nil		26,90,83,861	40		
(II) Bills Discounted and Purchased (excluding Treasury Bills of the Central and State Governments)—							
(i) Payable in India	.. ..	Rs. 84,03,541	79				
(ii) Payable outside India	.. ..	1,26,39,325	15	2,10,42,866	94	29,01,26,728	34
Particulars of Advances—							
(i) Debts considered good in respect of which the banking company is fully secured	.. ..			21,19,97,497	47		
(ii) Debts considered good for which the banking company holds no other security than the debtors' personal security	.. ..			4,01,56,200	54		
(iii) Debts considered good secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	.. ..			3,79,73,030	33		
(iv) Debts considered doubtful or bad, not provided for	.. ..			Nil			
				29,01,26,728	34		
(v) Debts due by Directors or Officers of the banking company or any of them either severally or jointly with any other persons.	.. ..			1,11,090	00		
(vi) Debts due by companies or firms in which the Directors of the banking company are interested as Directors, Partners, or Managing Agents, or in the case of private companies, as members	.. ..			Nil			
(vii) Maximum total amount of advances, including temporary advances made at any time during the year to Directors or Managers or Officers of the banking company or any of them either severally or jointly with any other persons.	.. ..			1,53,204	00		
(viii) Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the Directors, of the Banking company are interested as Directors, Partners or Managing Agents or, in the case of private companies, as members.	.. ..			Nil			
(ix) Due from banking companies	.. ..			26,87,937	77		

Carried Forward

45,37,45,922 44

BALANCE SHEET OF THE INDIAN BRANCHES OF LLOYDS

(b) In our opinion proper books of account as required by law have been kept by the Chief Managers (Eastern Branches) Office and the Calcutta Branch so far as appears from our examination of those books and proper returns adequate for the purpose of our audit have been received from the 9 Branches not visited by us.

(c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of accounts and the certified returns.

(d) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act 1956, in the manner so required for banking companies, and on such basis the said Balance Sheet gives a true and fair view of the state of the affairs of the Branches as at 31st December, 1957 and the Profit and Loss Account gives a true and fair view of the profit for the year ended 31st December, 1957.

CALCUTTA,
25th March, 1958

PRICE WATERHOUSE & CO.,
Chartered Accountants.

Rs. 55,61,57,365 94

Profit and Loss Account of the Indian Branches

EXPENDITURE

	Rs.	nP.
To Interest paid on deposits, borrowings etc.	76,72,270	80
„ Salaries and Allowances and Provident Fund (includes Chief Managers (Eastern Branches) Rs. 91,121 92)	86,07,188	23
„ Directors' and Local Committee Members' Fees and Allowances	—	—
„ Rent, Taxes, Insurance, Lighting, etc.	7,70,095	91
„ Law Charges	11,989	68
„ Postages, Telegrams and Stamps	1,35,012	82
„ Auditors' fees	13,500	00
„ Depreciation on and repairs to the banking company's property	4,06,050	21
„ Stationery, Printing, Advertisement, etc.	3,82,102	11
„ Loss from sale for dealing with non-banking assets	—	—
„ Other Expenditure (including proportion of Head Office Expenditure)	11,55,836	29
„ Balance of Profit (subject to Indian Income Tax and Super Tax)	43,06,091	17

Rs. 2,34,60,137 22

BANK LIMITED AS AT 31st DECEMBER 1957.

	Rs.	nP.	Rs.	nP.
Brought Forward			45,37,45,922	44
Bills Receivable Being Bills for Collections — As per contra.—				
(i) Payable in India	3,15,75,678	69		
(ii) Payable outside India	73,64,249	46	3,88,81,923	15
Constituents' Liabilities For Acceptances, Endorsements, and Other Obligations — Per Contra			5,69,37,208	16
Premises Less Depreciation—				
Original Cost	10,09,767	44		
Less Depreciation	1,34,424	00	8,75,343	44
Furniture and Fixtures Less Depreciation				Nil
Other Assets, Including Silver—				
Inter-Branch Balances—Net—				
Head Office and Branches outside India	40,13,393	23		
Income Tax Advance Payments	1,86,571	19		
Interest, Exchange, Commission, Discount and Expenses	15,16,999	25	57,16,963	72
(No adjustments made as at 31st December, 1957 for the two months November and December for accrued Interest and Exchange receivable and payable and Commission receivable).				
Non Banking Assets Acquired to Satisfaction of Claims.				Nil

J. A. Brough & E. S. Tibbetts
Chief Managers (Eastern Branches)

Rs. 55,61,57,365 94

for the Year Ended 31st October, 1957

INCOME

(Less provision made during the year for Bad and Doubtful Debts and other usual or necessary provisions.)

	Rs.	nP.
By Interest and Discount	1,83,72,887	16
„ Commission, Exchange and Brokerage	50,71,206	06
„ Rents	16,044	00
„ Net Profit on sale of Investments, Gold and Silver, Land Premises and other assets	—	—
„ Income from non-banking assets, and profit from sale of or dealing with such assets	—	—
„ Other receipts	—	—
„ Loss	—	—

J. A. Brough & E. S. Tibbetts
Chief Managers (Eastern Branches)

Rs. 2,34,60,137 22

COMPANY AFFAIRS

THE KOHINOR MILLS CO., LTD.

Presiding over the annual meeting of the Kohinoor Mills Company Ltd., Mr. E. D. Sheppard, the Chairman, described the year ended December 31, 1957 as "a difficult period for the Indian industry in general and the textile industry in particular". He called it "a year of hard work and frustration." Referring to the effects of taxation, he said: "a significant comment on the new pattern of taxation is that your Company is at this moment called upon to pay taxes equal to 114 per cent of its assessable profit for the year". Mr. Sheppard also complained that the present tax structure was not only complex but operated inequitably as between unit and unit. He also saw no reason why the forms of taxation should not be simple and equitable. In particular, he described the Dividends Tax as the most regressive and inhibiting with all its insidious erosion of capital resources. Based as it is on paid-up capital only, he said: "it penalises most unfairly companies (like yours—the Kohinoor Mills—) which have ploughed back the profits during past years."

The Kohinoor Mills Chairman also explained why the present stock position affected different mills differently. If the fine count mills have fared better, he rightly said: "it reflected the benefit they derive from selling their products to a public less affected by a rise in food prices." This does not hold good in the case of medium and coarse count mills which, therefore, have felt the pinch most. The other reasons for the accumulation of cloth stocks which Mr. Sheppard suggested were that wholesale and retail traders were less

able than before to hold stocks to meet future demands, thanks to Wealth and Expenditure taxes and the credit squeeze all of which have tightened everybody's purse strings. The high rate of excise duty and, more so, the bewildering frequency with which the authorities alter it, were also listed by him as being the further obstacles, in the way. When the value of their stocks is liable to be reduced overnight, when a sudden reduction is made in the rate of duty, he explained, merchants did not want to burden themselves with large stocks.

Proceeding, Mr. Sheppard dwelt on how the emergency sales of accumulated stocks by mills produced a depressing effect on the market generally. In explaining why the Company's sales of cloth, yarn, and waste was lower in 1957 by more than Rs. 50 lakhs as compared to 1956, the Kohinoor Chairman observed: "I would like to comment briefly on the effect of the large holding of stocks by mills in general. Owing to the fall in demand, many mills have had to pile up stocks in their godowns and when they need money to make purchases, they sell off a portion of these stocks often at give-away prices. How does this affect us? While, generally speaking, we get a favourable price for our goods, there is a limit to the premium that people will pay for the name 'Kohinoor'. These emergency sales of accumulated stocks by various mills have a very real effect in depressing the market for all of us". Mr. Sheppard, however, felt that the closing down of shifts by a number of mills would slow down the rate of stock accumulation and hoped that, in time, the basic economic law of supply and demand would prevail to the benefit of the whole industry.

THE STANDARD MILLS CO., LTD.

The Sixty-third Annual General Meeting of The Standard Mills Co., Ltd., will be held at the Registered Office of the Company at Mafatlal House, Backbay Reclamation, Bombay-1, on Monday, the 28th April, 1958, at 4 P.M. (S.T.) to transact the business as per notice circulated to the Shareholders along with the Explanatory Note pertaining thereto.

By Order of the Board of Directors,
for The Standard Mills Co., Ltd.,
MAFATLAL GAGALBHAI & SONS,
Managing Agents.

Mafatlal House,
Backbay Reclamation,
BOMBAY-1.

Dated, 8th March, 1958.

N.B.—(1) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.

(2) (a) The Transfer Books of the Company will remain closed for the purpose of payment of Dividends from Monday, 7th April, 1958, to Monday, 28th April, 1958 (both days inclusive);

(b) The Transfer Books of the Company will remain closed for the purpose of issue of Ordinary Bonus Shares, from Monday, 19th May, 1958 to Monday, 26th May, 1958 (both days inclusive).

(3) The Dividends when sanctioned will be made payable from Monday, 12th May, 1958, to Thursday, 31st July, 1958, at the Bank of Baroda, Ltd., Reclamation Branch, Bombay, during banking hours and thereafter at the Registered Office of the Company during office hours on all week days to those shareholders whose names stand on the Register on Monday, 28th April, 1958. The shareholders are requested to intimate immediately any change in their registered address to the Company.

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Agents and Correspondents all over the world

Chairman: M. C. MUTHIAH

General Manager: C. P. DORAIAH

108 2032

CURRENT STATISTICS

INDEX NUMBER OF WHOLESALE PRICES

(Base: 1952-53=100)

		Food articles	Liquor & Tobacco	Fuel Power Light & Lubricant	Industrial Raw materials	Manufactures			All Commodities
						Inter-mediate Products	Finished Products	Total	
1953-54	..	106.7	98.6	99.2	109.7	98.5	99.0	98.9	104.5
1954-55	..	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.5
1955-56	..	86.6	81.0	95.0	99.1	100.1	99.6	99.7	92.4
1956-57	..	102.2	84.3	101.1	116.0	110.9	105.5	106.2	105.2
September 1957	..	108.5	93.7	114.5	115.4	107.3	108.9	108.6	109.5
October	..	107.2	95.0	114.5	114.8	106.7	109.1	108.6	108.8
November	..	107.9	96.5	115.0	116.0	106.0	108.8	108.4	109.3
December	..	104.0	97.5	114.9	115.4	105.7	107.8	107.5	107.0
January 1958	..	102.5	96.4	114.6	113.6	106.7	107.8	107.7	106.0
February	..	100.8	96.7	114.8	111.1	105.8	107.7	107.4	104.6
March	..	102.3	94.9	114.7	111.2	106.8	107.7	107.5	105.4
Week Ended									
1-3-1958	..	101.4	95.2	114.8	109.8	106.0	107.6	107.4	104.7
8-3-1958	..	101.7	95.2	114.8	110.3	106.4	107.9	107.7	105.0
15-3-1958	..	102.4	95.2	114.8	111.2	107.4	107.7	107.7	105.5
22-3-1958	..	102.5	94.4	114.5	111.8	106.9	107.8	107.6	105.6
29-3-1958	..	103.4	94.4	114.5	112.7	107.1	107.4	107.3	106.1

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

period	Bombay		Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934 = 100				Nagpur	Jubbulpur†				
1939 (Aug-Dec.)	103	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	372	146	309	168	136	134
1949	292	307	248	132	348	377	151	323	164	138	138
1950	298	313	257	132	349	372	153	325	165	145	138
1951	314	330	261	142	370	391	168	334	167	160	144
1952	321	337	250	143	351	380	150	330	151	154	141
1953	346	363	275	140	349	387	151	351	147	166	145
1954	342	359	244	138	327	408	139	341	148	140	138
1955	322	338	218	130	321	371	133	321	134	135	132
1956	336	352	244	142	347	424	151	356	152	146	145
1957	352	368	259	150	381	448	162	375	157	158	152
1957 May	346	362	257	151	352	441	163	369	157	156	150
June	352	368	259	152	371	446	168	373	159	156	155
July	358	374	263	152	371	459	165	375	159	164	155
August	359	375	265	155	375	468	163	373	157	166	156
September	357	373	262	149	378	464	160	372	156	167	157
October	356	372	260	149	375	461	162	375	155	166	156
November	365	383	265	148	378	457	165	391	156	168	157
December	365	383	257	145	375	443	165	390	154	166	156
1958 January	362	381	254	144	368	434	162	387	151	166	153
February	361	380	248	143	364	427	159	387	149	163	153*
March	—	—	—	—	—	427	—	385	—	—	—

† Base 1944 = 100.

* Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	11-4-1958			4-4-1958			28-3-1958			21-3-1958		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola)	113.62	111.16	112.30	111.75	110.41	110.84	112.34	110.75	111.53	112.28	111.75	112.07
Silver (per 100 fine tolas)	198.44	196.06	197.48	196.06	194.56	195.19	195.87	194.56	195.16	195.25	193.69	194.65

Namaste, Bhai Sahib !

I am very glad to welcome you back from your tour, Bhai Sahib, and thank you very much indeed for visiting the tea gardens, our factories, sales depots and dealers. I hope you found it all interesting.

Very interesting, Shri Chairman; I learned a great many things about the Tea Industry; how it employs a million people and earns crores for public revenue and vital foreign exchange.

What impressed you most, Bhai Sahib?

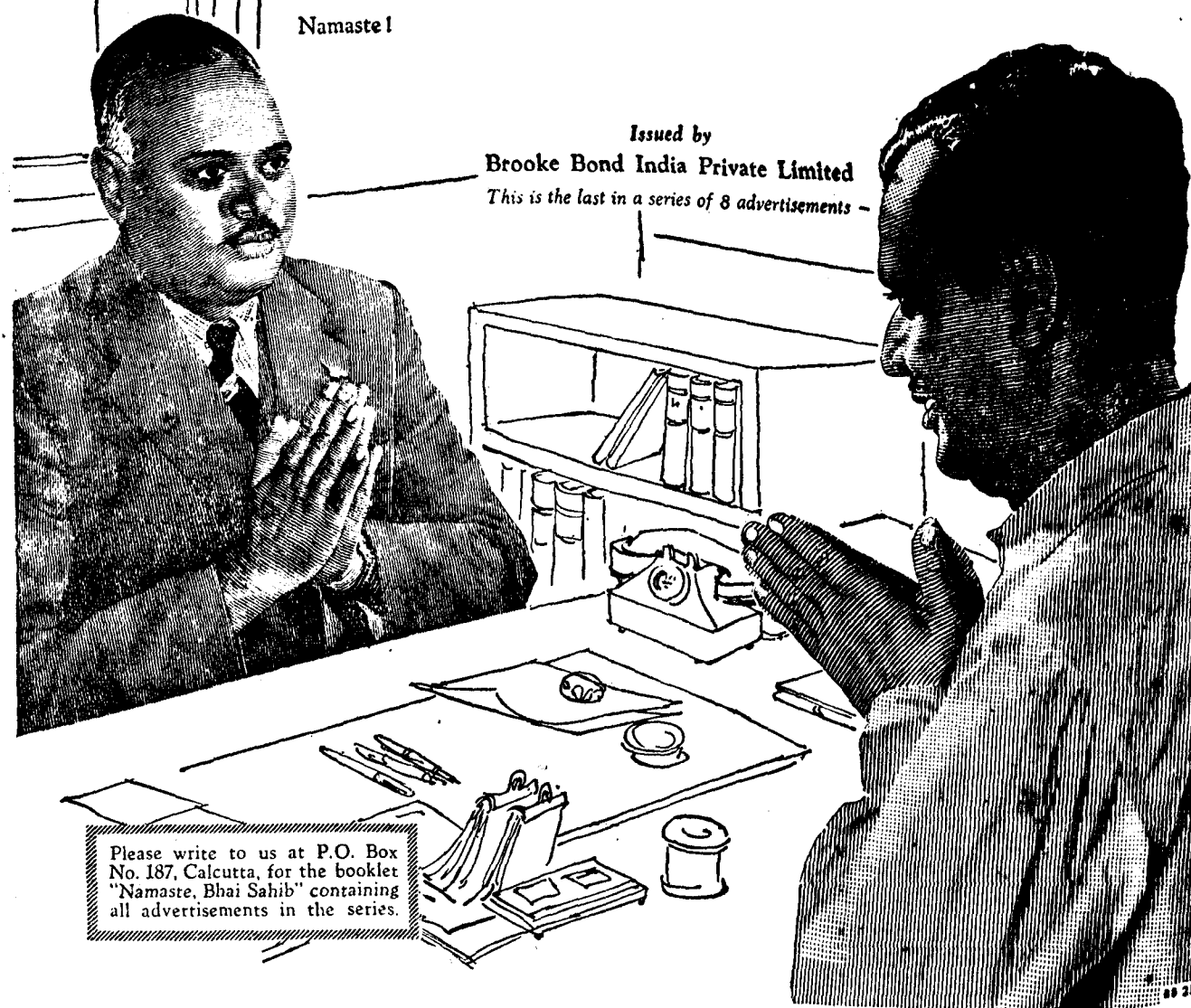
Its complexity, Shri Chairman. What a vast organization stands behind a simple packet; and the care you take in selecting teas and packing them hygienically and the efforts Brooke Bond put in to make certain that their packets reach every shop really fresh. I look forward to telling all my friends about it.

If you get any queries you can't answer, Bhai Sahib, don't hesitate to write to me about them.

Thank you, I will.

Namaste!

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Brooke Bond India Private Limited
This is the last in a series of 8 advertisements -



Please write to us at P.O. Box No. 187, Calcutta, for the booklet "Namaste, Bhai Sahib" containing all advertisements in the series.

Printed and Published by Devi Prasad Sharma at the Hindustan Times Press, for "The Eastern Economist" Ltd., 52, Jan Path, New Delhi. Editor:—E. P. W. da Costa, M.A. (Oxon)

The Eastern Economist

VOL. XXX. NO. 17.

NEW DELHI: APRIL 25, 1958.

ONE RUPEE

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Co-operation: New Look?

THE country-wide debate on co-operative farming in the last fifteen months or so has done a deal of good although it has not persuaded the Prime Minister to shed his theoretical preference for joint farming. But he may yet see his critics' point which has an objective validity of its own. The point is that if co-operative progress in spheres other than farming is still marking time, there is no reason to believe that co-operative farming which involves pooling of land and joint management and is, therefore, an inherently and infinitely more difficult enterprise, can make any better headway in the absence of a degree of State participation or of direct or indirect State compulsion. The criticism has nothing to do with Communism or anti-Communism. It is wholly pragmatic in

the sense that authoritarianism or commandism cannot deliver the goods in terms of increasing unit-area yields in what is essentially an individualist enterprise. The peasant can, of course, be compelled but still he will remain unconvinced. To convince Mr. Nehru of the soundness of this criticism may not also be an easy task for, according to his own admission, he was never a farmer in life.

Be that as it may, the debate on co-operative farming has at least brought into focus the wider field of co-operation and the role of the State therein. As co-operation is fundamentally a democratic concept keeping intact individual initiative and enterprise, the realisation that too much

State interference in or control over it would be repugnant to its spirit has at last dawned on the Government. It is no mean progress that the Prime Minister, himself an ardent votary of co-operation in all spheres of human activity, has just admitted his and his Government's mistake in accepting some of the recommendations of the Rural Credit Survey Committee. In his candid confession that he was responsible for it as much as anybody else, one finds traces of the Mahatma confessing to Himalayan blunders. The confession will have done a lot of good if the planners who are supposed to be informed by a social purpose or vision come to fancy themselves less and less as repositories of a monopoly of wisdom. This is not an irrelevant aside for official mistakes and errors of judgment in spheres other than co-operation are yet to be openly admitted.

As far as co-operation is specifically concerned, a major policy decision in favour of State-sponsored or State-partnered co-operatives as recommended by the Rural Credit Survey Committee has now come in for revision, and this is to be welcomed. The very idea of Government officials running big co-operatives is calculated to set at naught the twin basic tenets of co-operation — self-reliance and mutual help. It may be that the policy regarding State-partnered co-operatives would still not be wholly abandoned in view of the long tradition in this country of co-operatives being assisted and guided by the State. But State assistance or guidance is one thing, State partnership or control quite another. To look, however, for a right-about-turn in the matter of a major policy would not be realistic at this stage. The Indian Co-operative Congress has, therefore, done a wise thing in urging for the present that State participation in the co-operative movement should not extend to the day-to-day working of the societies and State representation on the managing body of partnered institutions should be limited to three nominees.

If this recommendation is accepted by Government as it well may be, co-operative policy will have received a healthy re-orientation which might augur well for the ultimate acceptance of the other elements of an eminently desirable policy statement formulated by the All-India Co-operative Union and passed at its latest Congress in Delhi. Public attention would need to be focussed on the sound recommendations contained in this policy statement and in other resolutions. That the State should welcome and assist co-operative effort wherever people come forward voluntarily to form co-operatives of any kind, may be

readily appreciated. The recommendation that State aid to individuals such as farmers, artisans and small-scale industrial entrepreneurs intended for developmental purposes should be channelled through co-operatives, is worthy of implementation as a general practice. Another worth while suggestion is to the effect that Government contribution to the share-capital of co-operative societies should be in the form of equity capital and that no special privileges should be attached to it in regard to dividend, voting power, sharing of losses and redemption, all of which should be at the option of the State-partnered societies. Another equally sound recommendation is that where societies are asked to carry out a policy at the behest of the State the losses and gains arising therefrom should be the State's responsibility. The need, urged in a resolution, for abandoning the State Governments' present practice of placing of officials at the head of apex and district co-operative banks or societies is also self-evident.

There is, however, one concrete suggestion which may sound controversial to some. The relevant resolution urges that all future licensing of processing units, e.g., rice and oil mills, should be only in favour of co-operatives, as has already been done in respect of sugar factories. On the face of it, co-operative processing, together with co-operative marketing, is attractive on the score of its direct benefit to the growers by way of better returns for their produce. Co-operative rice mills may also exert some restraint on the speculative activities of private rice mills at times of acute food scarcity. There is, however, no need to justify this recommendation on the analogy of co-operative sugar factories which, in a number of States, are conveniently thought of as a way-out of the contradictions created by an unrealistic land reform policy.

Perhaps even more significant from the point of view of a free co-operative movement in future is the Co-operative Union's proposal "to examine the legislative and administrative provisions governing the working of co-operative societies in the different States and advise on how far and in what stages and manner official control could be progressively replaced by suitable arrangements of co-operative bodies themselves instituted for the purpose". To ensure the independent working of co-operative institutions would be to protect them against bureaucratic excesses and fashion them into a powerful bulwark of liberal democracy itself. Only then will co-operation acquire a new look much more in fact than in name.

The Finance Bill

THE modifications in the Finance Bill, 1958, which were announced by Mr. Morarji Desai in his speech on the motion for consideration of the Bill, bring welcome reliefs. They show a flexible attitude of responsiveness to constructive criticism of the original provisions. This attitude is prompted by a genuine appreciation of the grievances voiced inside the House as well as outside. The changes proposed, however, are few. Some of them, like the revision of the rate on the excess dividend tax for Section 23A Companies, removal of the time limit regarding the tax exemption on entertainment allowance received by government and local authority employees in certain cases, are of a marginal nature. Undoubtedly the most important modification which

are to be incorporated in the Bill are those which relate to the development rebate. The main effect of these amendments will be to make the conditions imposed on the development rebate less onerous and to make investment in development more attractive than before.

The changes now proposed to be introduced in the conditions engrafted on the development rebate are two. In place of 100 per cent appropriation of the allowance of development rebate to the special reserve, the allocation has been reduced to 75 per cent. This reduction releases 25 per cent of the allowance for disposal at the discretion of company managements. Where the profits of the company in the year in respect of

which the development rebate is claimed are not sufficient to cover the entire amount of the allowance, the balance can be carried forward for a period up to 8 years, as in the case of business losses under Section 24 of the Income Tax Act. The second modification seems to suggest that the allowance for the development rebate is to be deducted from the profit before tax, since the amount of the allowance is to be debited to the profit and loss account. It may raise further complicated issues concerning tax-free dividends. It is also likely that the rate of dividends may have to be raised if the shareholder loses the benefit of tax exemption on the amount of his dividend. The entire position will be clarified in the course of the clause-by-clause discussion on the Bill in its amended form.

It is certainly a welcome relief that the frozen part of the development rebate, equivalent to 75 per cent of the amount of the allowance, is not subject to rigid conditions as in the original Bill. The only condition which has been explicitly laid down requires that in no case will the rebate be used for the distribution of dividends. The Finance Minister has stated in general terms that the amount of the allowance which is carried to the special reserve may be used for all other legitimate purposes of a company. This description of the new relaxation, however, does not give a full and correct idea of the nature of the latitude now to be allowed. Its clarification will again be awaited in the clause-wise discussion of the Bill.

The central criticism against the new conditions introduced by the Finance Bill of the current year has not been fully answered by the modifications now proposed. It is clear that the 75 per cent portion of the allowance of the rebate will consist of two distinct components. In the first place, there is an element of actual relief from income-tax. This has been estimated as being equivalent to 50 per cent of the total allowance permitted for the rebate in the computation of income-tax. The actual quantum of relief may be more or less, depending upon the rate of income-tax applicable to the slab in which the total income of the company falls. The second element is represented by the difference between the amount equivalent to 75 per cent of the allow-

ance and the actual relief in income-tax enjoyed by the company. In the absence of the rebate the company would have been liable to the payment of the income-tax saved. But the amount which a company will be required to transfer to the special reserve, over and above the saving in income-tax, will have to be found by the company from its own resources. It is argued by the Finance Minister in justification of setting apart even this excess amount that it is only reasonable to expect that the company should be required to make this contribution on its own. The argument further runs that the entire object of the scheme of the development rebate is to finance development. The crucial point is: Which development — the one already undertaken in the previous year or future?

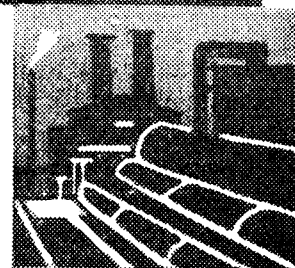
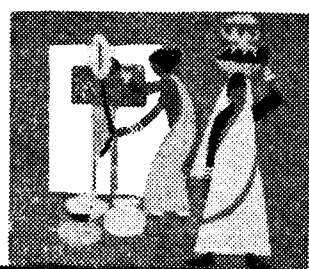
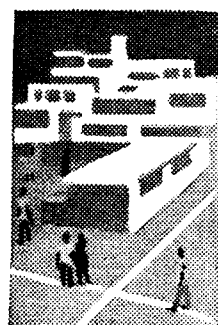
It is only necessary to reiterate that the rebate is earned, if, and only if, the development expenditure has already been incurred. In its genesis, the rebate was intended to be a form of relief against the high cost of plant and machinery, either by way of replacement or modernization or altogether new installation. To change this basis of the rebate and to relate it to future development amounts to adding to the difficulties of a company for allocating additional resources for development just when it has done so by means of debentures or new share capital, partly or wholly. While there is a sound case for not placing company managements under the new restrictive conditions, the consensus of opinion is that at best, the actual saving in income-tax, which has been obtained under the development rebate, may be impounded. The balance even within the new lower limit of 75 per cent ought to be kept free for legitimate disposal including dividend distribution. In clarification of the real objective behind the new conditions, the Finance Minister stated in his speech: "I would like to emphasise in this connection that the creation of this reserve will not in any way add to government revenues. All that it will do is to conserve the tax savings of a concern for its own business purposes." The freezing of additional resources of companies is thus extraneous to the real objectives of the reserve. As we go to the Press, the Bill is passed by the Lok Sabha without any further amendments.

The State of the Congress

THE two-day conference of the presidents and secretaries of the various State Congress Committees concluded here last week on a note of confidence. In his speech on the occasion, Mr. Nehru characterized the talk about the Congress's having grown weak since independence as "loose, futile and useless". He admitted, however, that the Congress had suffered from many weaknesses and some set-backs in the recent by-elections in some States. But Mr. Nehru did not regard these as anything more than "temporary". Moreover these weaknesses, he said, were no worse than the deficiencies in other political parties. The factional squabbles in the Congress, though deplorable, he pointed out, were not altogether a new phenomenon. In spite of all these defects the Congress had, he asserted, "by and large rendered effective service to the country since independence". The imperative necessity was that the Congress should stick to its basic principles even at the risk of temporary failures; for, in the long run, the people would come to appreciate its stand and rally round it.

It is true that the Congress can claim to have the confidence of the country by and large. But it would be suicidal for it to ignore the several reverses in by-elections to State and Union legislatures and to local self-governing bodies. Nor would it be wise for it to ignore, ostrich-like, the internal dissensions and wranglings in more than half a dozen States, brushing them aside, as Mr. Nehru has done, as of no consequence. It is in the interest of both Mr. Nehru and his party to take a serious view of the divisions in the Congress ranks — and of the charges of corruption against Congress Ministries. If this is not done energetically and expeditiously, the developing defects and deficiencies might imperil the existence of the Congress and harm the interest of the country. For, the fortunes of the country continue to be tied up with the fortunes of the Congress. The first need is, therefore, to restore and reinforce the moral prestige of the Congress. Its prestige and reputation has been built largely on a tradition of scrupulous adherence to certain moral tenets like truth, honesty, tolerance, humi-

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THE WEEK'S NOTES

AN UNWISE MOVE

IN A recent speech at Bombay, Mr. Jaya Prakash Narayan has advocated the merger of the Congress and the Praja-Socialist parties in order to tackle effectively the developing national crisis and the problem of international tension. Party labels, which might be significant and even necessary in normal times, he says, lose their meaning when a nation is confronted with a series of crises. Moreover, the Congress and the Praja-Socialist Parties have a great deal in common. "Each believes in the democratic way of life. Each attaches significance to the dignity of the individual. Each wants to bring in socialism with a view to raising the living standards of the people and assuring them social justice and adequate opportunities for development."

Mr. Narayan's suggestion seems to be a complete change from his earlier stand. Not long ago, on the eve of the second general elections, to be precise, he had advocated a "united front" with the Communists; and, after the elections, he actively campaigned for the merger of the Praja-Socialist and Socialist parties. Both moves were, however, unsuccessful, though for different reasons: in the first, the Communists had demanded obdurately that the Praja-Socialist Party should accept the Kremlin's interpretation of Marxism; in the second, Dr. Rammanohar Lohia had put forward unreasonable conditions. It will not be far wrong to infer that Mr. Narayan's present move is born of his earlier disappointments, and is, as such, not based on reality. Even otherwise Mr. Narayan's move, if successful, is likely to do more harm than good to the nascent Indian democracy. As conditions stand today, the Congress, in spite of Mr. Nehru's universal popularity and unbounded prestige, is gradually losing hold over the masses. This is evident from its defeats in several by-elections to State and Union legislatures and local self-governing bodies even in its traditional strongholds in Uttar Pradesh, Rajasthan and Delhi. The merger of the Praja-Socialist Party with the Congress will not stop the falling popularity of the latter. It might, on the other hand, only hasten the polarization of Indian public opinion into extreme Right and extreme Left. This process, in fact, is already discernible. The only development which can put an end to this trend is the unity of the forces of democratic socialism. A unified party of Praja-Socialists and Socialists is a far better objective to work for; it will offer a democratic alternative to the ruling Congress Party and halt the present trend towards political polarization. It is also well to remember that it is the dissensions within the Socialist camp that have offered an excellent lever to the Communists and the Jan Sangh to lift themselves into prominence.

The time seems propitious for such a merger. A clear division is already visible in the ranks of Mr. Lohia's Socialist Party on the issue of unification and consolidation of socialist forces in India. Several important leaders of the party have been openly demanding, to the chagrin of Dr. Lohia, the merger of the Praja-Socialist and the Socialist parties. If he refuses to see the signs of the times, Dr. Lohia is likely to be isolated from the main current of Indian social democracy. Success or failure of the move for socialist unity might well determine, for generations, the pattern of political life in India. The Communists today have donned a new garb and are well set to capitalise on the weaknesses of Congressmen and other social democrats in the country. It is in the power of men like Mr. Jaya Prakash Narayan, Acharya J. B. Kripalani, and P. V. G. Raju to defeat their strategy.

A CALL FOR COURAGE

WITH CHARACTERISTIC candour, Sir Homi Mody told a luncheon meeting of the members of the Fed-

eration of Indian Chambers of Commerce and Industry in Bombay that, while business men had unreservedly accepted the social objectives which Parliament has adopted and had also accepted the obligations cast on them to implement these objectives, they had not surrendered their right, as responsible citizens, to raise their voice and point out whither the country was drifting and if the implementation of these objectives placed intolerable burdens on those engaged in the production and distribution of goods or services, and if the pace was so fast and the action so drastic that the freedoms which were fundamental to the functioning of a democratic society were threatened. As he rightly added, "no one can afford to be a silent spectator of such a development". Sir Homi did not doubt that the country had progressed quite a little in this direction, but he was obviously happy that a greater awareness of the realities of the situation and a greater responsiveness to informed and responsible criticism had been in evidence lately. In view of this, Sir Homi suggested, the time was opportune for business men to achieve a closer understanding with Government. But to be able to make themselves felt, he urged business men to eschew all selfishness or subservience and to prove by their actions that, "in the great task of transforming the age old economy of the country, Government can always count on the knowledge, experience and co-operation of the commercial and industrial community."

There were two points on which Sir Homi felt compelled to criticise the Government at this meeting. The first concerned the second Five-Year Plan. Welcoming the sense of realism that has been induced into the Plan by the hard facts of the situation though not by the pleas and warnings of critics he criticised the absence still of "a clear-cut programme estimating the costs of the projects envisaged, the resources that would be available, particularly in the matter of foreign exchange, and the priorities that have to be assigned to the various schemes in hand". He also wondered if a halt had as yet been cried to fresh commitments. Above all, he expressed concern that, despite the experience of the last two years, the planners had not really learnt any lesson, to judge from their insistence on planning for a steel target of 15 million tons by the end of the third Plan. If this is to be taken seriously, remarked Sir Homi, "we can only conclude that our planners are living in a world of their own, in which considerations of men, materials and resources do not seem to worry them much".

The persistent refrain of hostility to capitalism was the other point on which Sir Homi gave frank expression to his views, which may well be regarded as the views of the entire business community. He was incensed that these people altogether ignored the part played by the business community and were deliberately trying to play it down. Holding that such people did not have any understanding of "the real character of modern capitalist society, a society in which vast strides towards the attainment of a just social order and a wider discussion of well-being have taken place in the course of the last half a century", he asked whether "these makers of a new heaven on earth" at all realised that the socialism of their thinking was as outmoded as the capitalism of the 19th century. Has not our Prime Minister declared time and again that Karl Marx himself has become outdated?

MR. NOON'S DOUBLE-TALK

THE CONDITIONAL offer made by Mr. Feroz Khan Noon, Pakistan's Prime Minister, of a "no war" pact with India has created little interest here. This lack of interest is due largely to the fact that Mr. Noon has

no more than reiterated what the late Mr. Liaquat Ali Khan once said in reply to Mr. Nehru's offer of an unconditional "no war" pact in 1950. The late Prime Minister of Pakistan had then insisted on the two countries accepting arbitration should negotiation or mediation between the two countries fail. At that time, and consistently since then, India has rightly refused to commit herself in advance to arbitration. This is, she thinks, not in keeping with national sovereignty and self-respect. The rationale of the Indian suggestion for an immediate and unconditional declaration was that it would completely transform the atmosphere of doubt and suspicion into one of amity and cordiality between the two countries. It would, consequently, be easy to settle outstanding disputes between the two countries. The condition of arbitration, if tagged on to the "no war" declaration, would, it was felt, tend to make settlement of any dispute by negotiation impossible. Moreover, such a conditional declaration does not rule out war until all disputes have been settled. The Pakistan proposal thus implies something at variance with what it appears to convey. Contrary to the impression which the Pakistan Prime Minister has sought to create, it is India which has always stood for and stuck to a policy of peace and amity with Pakistan. If India had at any time entertained the idea of using force to settle, say, the Kashmir issue, she would not have patiently put up with the obvious partisanship of the Security Council, nor would it have painfully borne the mounting cost of keeping vigil on the cease-fire line. Similarly, India would have cut off water supply to Pakistan long ago due to the latter's failure to honour the financial agreement of 1948.

The timing of Mr. Noon's offer also makes one doubt its sincerity. The offer has been made after Dr. Frank Graham's failure to suggest an effective solution for the Kashmir tangle. By his seeming sweet-reasonableness now, Mr. Noon hopes to entice India into his parlour. Thus Pakistan can pretend to begin negotiations and later invite a mediator like Dr. Graham to arbitrate ultimately. Mr. Noon's offer is, one is constrained to conclude, no more than another move in Pakistan's little cold war with India. Moreover, it is in the "enlightened self-interest" of the Pakistani politicians to prolong Indo-Pakistan disputes: this enables them, by making use of the feelings and sentiments of that country's credulous people, to remain in power without the sanction of a democratic verdict.

THE BRITISH BUDGET

ON THE whole, the reactions to the Budget presented by Mr. Heathcoat Amory have been favourable. Faced with the main objective of promoting expansion without inflation, it is small wonder that Mr. Amory had chosen to play for safety first with the result that what has resulted is what a British journal has chosen to call a "cornucopia of moderation". There is something for everyone but the Chancellor has stood firm against any general relaxation. He has tried to keep down the cost of living by concessions given in the field of purchase tax. The substitution of four rates for seven and the reduction of the maximum rate from 90 per cent to 60 per cent have been hailed as a step in the right direction, since it has paved the way for simplification of the tax structure. The purchase tax changes and the halving of entertainment duty for cinemas account for the greater part of the relief. The rest of the concessions relate to the changes in business taxes. The Chancellor has tried to secure the objective of industrial expansion by giving more generous depreciation allowances and by unifying the two-tier profits tax. While the increase in the initial depreciation allowances is meant to give a fillip to firms to extend their factories, the removal of the distinction between the tax on distributed and undistributed

profits (a recommendation urged by the Royal Commission on Taxation) would enable capital to go where it can be most properly used. The Chancellor has thus steered clear on the path of moderation to seize the "golden opportunity at least to halt and possibly to reverse the trend of rising prices". Though it was expected that the tax concessions may be of the order of £100 to £150 millions, actually it will be no more than £50 million and in a full year the cost of the changes would rise to over £108 million.

While Mr. Amory has set himself resolutely to hold down costs and prices for enabling British industry to maintain its exports — and performance here during the first three months of the year is stated to be excellent — it is clear that he is reserving further tax reliefs for facilitating extensive re-expansion next year, because the Chancellor may then present his last budget before the general elections and obviously that would be the time when the electorate has to be kept in good humour for the Conservatives. There is, however, one big assumption for the calculations to go well and that is the imponderable American recession. This is not one that can be prophesied with any degree of certainty.

ELECTIONS IN KOREA

THE UNITED STATES Government, in consultation with other governments which had contributed forces to the United Nations Command in Korea, has asked Peking to clarify its statement of February 7 concerning elections in the two Koreas with a view to re-unifying them. In its statement, Communist China had suggested that elections be held under the supervision of a neutral nations' commission which would ensure free and fair elections by guaranteeing freedom of speech, assembly and Press before and during the proposed elections. Later statements by the North Korean representatives in Peking and Moscow have, however, confused the issue. They are reported to have said that "such supervision should not intervene in the elections". These statements, naturally raised doubts about the precise nature and extent of supervision. It was, moreover, not clear from the Chinese statement whether the proposed neutral nations' commission would be appointed by the United Nations on the lines on which the Neutral Nations Repatriation Commission in Korea had been constituted some four years ago, or it would be appointed by the Bandung Powers. Besides clarification of this pertinent point, the United States has sought clarification regarding the basis of the all-Korean elections: whether it was to be held on the basis of population or not. Clarification on this point is important in view of the insistence of Communist countries on absolute equality between the two Germans — with their unequal population — as a prerequisite for all-German elections. If a similar condition were imposed in the case of all-Korean elections, it would be undemocratic to accept. The population of North Korea, it is well to remember, is eight million, while that of South Korea is nearly 22 million. The United States has, therefore, done well to ask Communist China to explain its proposals. Under the circumstances, Peking cannot continue to hold the former responsible for delay in Korean re-unification.

REBATE ON HANDLOOM CLOTH

THE GOVERNMENT of India have decided to sanction a special rebate of six naye paise per rupee on handloom cloth, in addition to the usual rebate of a like amount, from April 11, 1958 for a period of two months. This rebate has been given on retail and wholesale sales of handloom cloth by weavers societies in order to clear accumulated stocks. The present accumulation of handloom cloth is, it was officially stated, partly seasonal and partly due to the fact that production was not geared to consumer demand.

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 2½ 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.

Economic Report from the U. S.

U.S. AND SOVIET ECONOMIES: A CONTRAST

(By GUY SIMS FITCH)

WASHINGTON, April 15.—Dr. Gabriel Hauge, President Eisenhower's Special Assistant for Economic Affairs, has a reputation for plain talk and careful analysis. Both attributes were put to good use this week when he addressed an economic meeting in Massachusetts on a subject dear to his heart — economic development and ways of fostering it. Figuring prominently in his speech, copies of which were available to the press here, was the inevitable discussion of Soviet economic practice and its implications for developing lands throughout the world.

As an objective scholar, Dr. Hauge admits to the progress made in the Soviet Union, when measured in over-all terms. But objectivity also requires the judgment that this progress has been notoriously uneven, with industrial production — particularly heavy industry and military equipment — favoured lavishly over both agriculture and consumer goods. Thus, total Soviet output is estimated at about 40 per cent of U.S. output. But Soviet 'per capita' consumption is only one-fifth that of the United States. In the realm of consumer goods, Soviet production ranges between two and four per cent of the U.S. rate. And even in areas considered more basic, the scanty Soviet statistics indicate clearly that average U.S.S.R. diet and housing are not only far below the standard of the United States and many other free countries, but also little better than under the Czars.

None of this is meant to dispute the position of the Soviet Union as a major industrial power, second only to the United States — but here again, one must examine the facts and weigh the alternatives carefully. It should not be forgotten that Czarist Russia, whatever its faults — and they were many — still had the sixth

largest economy in the world and a 'per capita' production substantially greater than any of today's less-developed lands.

A question is often raised whether the Soviet Peoples would have fared better during the past 40 years under a system more closely identified with the kind of enlightened free enterprise that has characterized the United States and some other countries.

As Dr. Hauge points out many experts consider the years 1880-1920 to be the period of U.S. development most comparable to the 40 years of Soviet development. And during that period the U.S. economy grew at least as rapidly as has the Soviet economy in the past 40 years. Moreover, a free society like that of the United States takes much of its progress in the form of improved quality and variety of output, more services and more leisure, and hence in significant rises in living standards as well as industrial expansion.

Let us now turn to the twentieth century and to another developing country, Canada. Over the same 40 years encompassing the Soviet experience, Canadian economic growth has been even more rapid than that of the U.S.S.R. It also has been much better balanced, as between industry and agriculture and production and consumption, with a consequent rise in living standards that has far outstripped that of the Soviets.

Dr. Hauge would be the first to admit that business fluctuations around a rising growth curve create some problems in a free economy. But events of the past two decades have proved these fluctuations to be limited, the problems to be transitory and the effects to be moderate. They are not to be confused with the vast disruptions and human tragedies that have accompanied forced implementation of Communist practice.

UPSURGE OF BUSINESS INVESTMENT

WASHINGTON, April 22.—A strategic shift of emphasis seems to be taking place in the United States business planning. And it lends considerable support to the view that not only is the end of the present US economic adjustment in sight, but that the economy actually is adjusting to a new upsurge toward the still only dimly perceived new heights. This somewhat sweeping conclusion is implicit in the latest survey of business capital investment plans, results of which were published last week. The survey is part of a regular series conducted by the McGraw-Hill Company, outstanding publisher of business journals and a pioneer in the study of business investment programmes. What it reveals is this: after having spent at record rates for the past three years mainly to expand its capacity, US business now is turning attention increasingly to expenditures aimed at creating conditions for renewed and substantial future growth.

For the immediate future, the survey shows that industry is revising its capital spending plans downward from last year's high of \$38,400 million. But the revision, all told, is fairly moderate and in line with the expectations of a healthy sales trend. Manufacturing companies, for instance, expect their total sales to dip two per cent this year, but to rise again after that and by 1961 to be 18 per cent higher than in 1957. Particularly encouraging for short-term prospects is the fact that 1959 investment spending is seen close to the annual rate scheduled for the latter part of 1958. This led McGraw-Hill experts to conclude that the "worst of the capital goods decline is over."

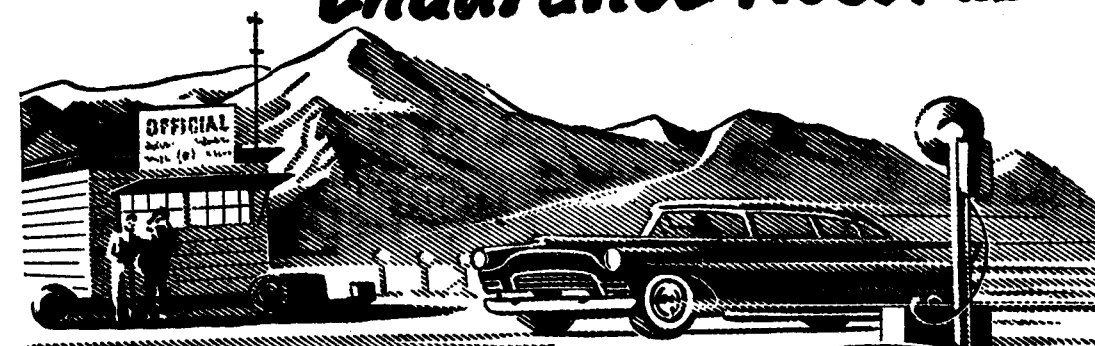
Even more important, from a long-range standpoint, is the fact that the major investment cutbacks are running their course this year. Even at the reduced

investment rates projected for the next five years, US industry expects to raise its over-all production capacity by more than three per cent a year. This is a somewhat more modest growth rate than in many post-war years, but is a sizeable one nonetheless.

But the really exciting part of the investment picture lies in the increasing emphasis that is being placed on modernization and research, as against outright expansion. For while total capital spending will be down 12 per cent this year and another eight per cent next, business outlays for research and development are expected to rise 14 per cent this year over 1957's peak of \$7,300 million, and to continue to rise thereafter. By 1961, research spending is stated to reach nearly \$10,000 million, more than 35 per cent over the 1957 levels. Significantly, nine out of ten companies expect their research programmes to bear fruit in the market place within five years. The result is that by 1961 US manufacturing concerns expect 12 cents out of every sales dollar to come from new products—products not even made in 1957 or so improved as to be considered new.

This heralds another surge of business investment, as industries spend vast and growing sums on the materials, machines, factories and processes needed to keep their new and developing products flowing to the buying public. And as business men install new and more modern equipment, they add to the efficiency of their operations and the productivity of the whole economy. Thus, the changing composition of business investment programmes is having two important effects. It is sustaining capital outlays at relatively high levels during a period of excess capacity and it is building a firm base for future growth.

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THE FRENCH STEEL INDUSTRY

(From Our Special West European Correspondent)

PARIS, April 20.

AFTER the German steel industry, which we reviewed on this page on February 14, and after the Italian steel industry (December 20 last), it is to the French steel industry that we will turn for further indications on the rate of expansion that is possible in an industry on which India's plans are centred. One finds the same general picture in France as elsewhere on the Continent: from a position of near-ruination at the end of the war, the steel industry has expanded very rapidly under the stimulus of growing demand, which it has not yet succeeded in overtaking. Given top priority in successive national plans, it has had to accumulate capital at a time when the flow of private savings into industry has been quite inadequate, and so it has had to solve a formidable financing problem by auto-financing. This means that the cost of steel development has had to come out of steel prices. Steel prices have had to cover not just production costs and the servicing charges of capital borrowed from the market in the conventional way, but in addition the whole of new capital that had to be found for new development. This natural development has run counter to the desire of governments to keep steel prices down because they are reflected in most other industrial costs and prices. This contradiction is to be found in all expanding economies where the capital market has been killed; and it is not peculiar to steel, as the case of the Indian coal industry shows.

French governments have been more reluctant than most to accept the proposition that if savings do not flow to the steel industry, then the cost of expansion of this basic industry must be reflected in all other industrial prices. They have pegged steel prices until French steel has become the cheapest produced by any member of the coal and steel pool. German steel is 11 per cent dearer than French, Belgian steel 13.6 per cent dearer. Since production costs are by no means lower, the French mills are left a narrower margin for auto-financing. Yet at the same time, the state of the domestic capital market forces them to rely more heavily on auto-financing—for the current (third) national plan, they will have to find 60 per cent of expansion capital out of their own funds, as compared with 50 per cent for the German steel mills and 45 per cent for the average of all French industry. Naturally, the French steel industry is now pressing for an increase in controlled selling prices, and equally naturally the Government is resisting this because the pegging of steel (and coal) prices is always a convenient method for governments to disguise an inflation that they are themselves causing.

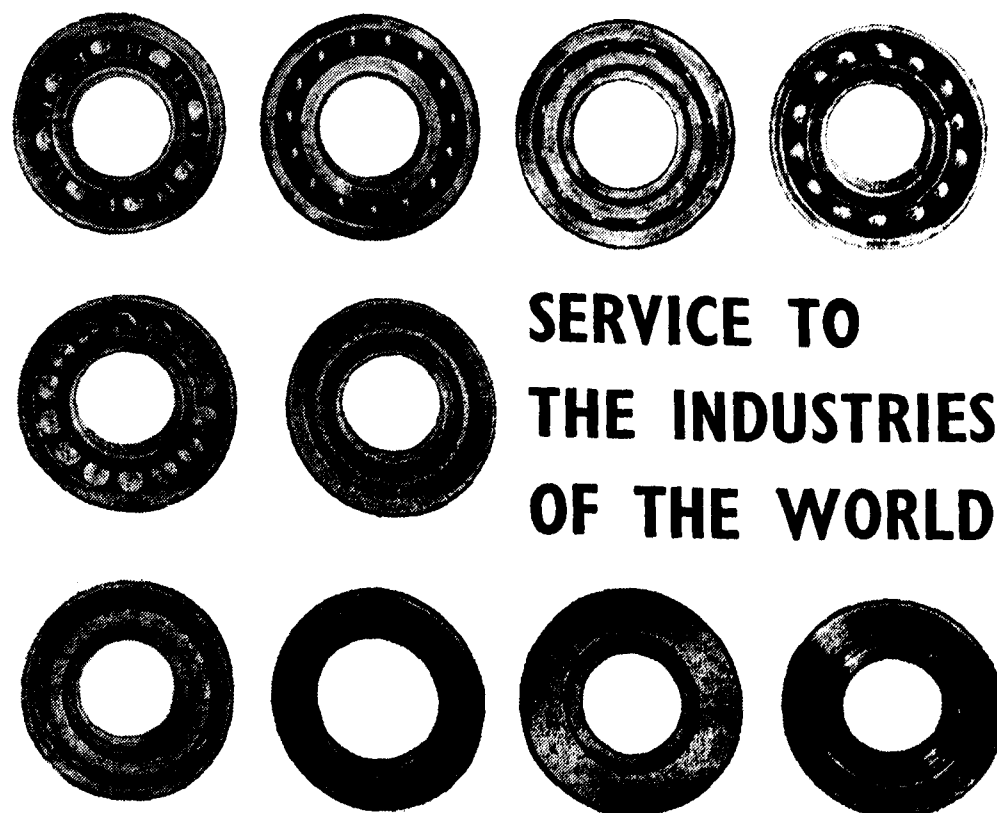
The rate of expansion of the French industry has been considerable, though not as spectacular as in either Italy or Germany. Annual steel consumption per head has increased from 370 lb. in 1950 to 660 lb. today. For comparison, per capita steel consumption is 110 lb. in Italy, 880 lb. in Britain, 990 lb. in Germany and 1,320 lb. in the USA—against about 22 lb. in Asia and Africa.) The stimulus for this large increase has come from the general industrial expansion, and in particular the demand for motor-cars, a decade of continuous war, first in Indo-China and then in North Africa, has helped, and so, more recently, has the demand of the oil industry for pipelines and other equipment. But, just as in other West European countries, home demand (even though continuously in excess of national production) has never absorbed total output: exports

take, in France's case, about 20-23 per cent of production. These exports are primarily to countries that are themselves substantial producers of steel, and from whom in turn France imports large amounts of steel. Thus she sells one million tons a year to Germany, the biggest producer in Europe, as well as substantial quantities to the two steel giants, the USA and Russia.

The large volume of international trade in steel, and the fact that it is largest precisely between the countries that produce most of it, is a feature of the industry that surprises people in India, where this industry is conceived mostly in terms of "national self-sufficiency" and where targets are stated mostly in tonnages rather than in types of steel. The explanation is of course in specialisation. No European producer, even the biggest, seeks self-sufficiency in steel, and the expectation is that international trade in the commodity will go on increasing. This is indeed the rationale of the coal and steel pool, which has stimulated international trade in steel on the Continent throughout the period of rapid expansion of the national industries. Specialisation is not a luxury that only the biggest producing countries allow themselves, by diversifying the products of an established, large industry; it is planned from the start. No European producer is so specialised as the smallest, Italy.

Connected with this insistence on specialisation is the attention paid to research, and here the French industry, despite its being only the third producer in West Europe, (15 million tons this year against 22 million in Britain and 24 million in Germany) has a leading position in the fields it has chosen for research. Indian steel technologists, of whom there is always a batch working at the IRSID institute at Saint-Germain-Laye, near Paris, are familiar with the network of research foundations supported by the French mills. A new one was opened this week at Metz which includes the most modern laboratory in Europe, devoted to research on liquid metal and on the enrichment of mineral ores. Here again the temptation for smaller steel producers in Asia to imagine that advanced research is a luxury that only the bigger producers can permit themselves. The view here is, on the contrary, that research and specialisation must accompany the growth of the industry right from its infancy; the reward is very substantial savings in capital outlays and costs, and readier access to the international market for special metals.

The rate and the cost of expansion of the steel industry here since the war provide an interesting standard of comparison. At the end of the war France could produce less than 5 million tons. By 1952, by which time the relatively easy task of post-war reconstruction had been completed, this had been increased to almost 11 million tons. Then began the phase of genuine expansion which took output to 12½ million tons in 1955, 13½ million in 1956 and 14 million in 1957. Currently in 1958, output is running at an annual rate of 15 million tons. The cost of this effort has been very heavy. In ten years 700,000 million francs have been invested; allowing for variations in the value of the franc this comes to about Rs. 1,000 crores. (This cost is strictly comparable to the investment required in the West German industry over the same period, though for special reasons a faster rate of increase was achieved there.)



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Despite the vast expansion in steel production that has occurred in all European countries in the past decade, the French producers are no more apprehensive about the future than their congenitally optimistic German rivals. In this respect there is a notable difference of mood between public opinion and specialist opinion; the sharp reduction in the activity of the American mills, the fall in exports to under-developed countries and the decline in steel prices in the international market have all impressed investment opinion in West Europe. As a result, steel shares have shed 30 per cent and more in European stock markets in the past six months. But with order books still full and with every sign of increased demand from the domestic automobile, building and oil industries, the steel producers remain confident that their only difficulty will be to find the capital required to continue expanding.

ANOTHER STEP FORWARD

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WORLDGRAM

AGRICULTURE

International Irrigation Seminar Scheduled for Tehran: Irrigation experts from several Middle Eastern and South Asian nations will assemble in Tehran on May 3, for a two-week seminar designed to improve irrigation and drainage techniques at the farm level. The seminar, to be held at Tehran University, is co-sponsored by the Iranian government and the US International Co-operation Administration (ICA). Countries invited to send participants are India, Pakistan, Iraq, Lebanon, Greece, Turkey, Jordan, Afghanistan and Ceylon.

G.M.F. Programme in 1957-58: According to the final estimates received from the States, the expenditure likely to be incurred on G.M.F. schemes during 1957-58 was Rs. 2977.93 lakhs (Rs. 2642.69 lakhs as loan and Rs. 335.24 lakhs as grants). In a statement laid on the table of Lok Sabha, the following Statewise details were given of Central share respectively of loans and grants likely to be incurred during 1957-58, (Rs. in lakhs): Andhra Pradesh 502.03, 23.59; Assam 101.98, 9.86; Bihar 197.11, 68.03; Bombay 240.72, 27.53; Kerala 33.03, 8.90; Madhya Pradesh 272.23, 19.86; Madras 188.57, 20.05; Mysore 113.19, 51.32; Orissa 81.98, 6.89; Punjab 208.23, 25.14; Rajasthan 156.73, 6.39; Uttar Pradesh 396.14, 66.76; West Bengal 95.40, 11.04; Jammu and Kashmir 16.85, 10.55; Delhi 11.60, nil; Himachal Pradesh 19.48, 13.87; Pondicherry 0.65, nil; and Tripura 6.77, 1.46. The actual expenditure by the States was to be reported by the State Accountants-General by the end of June 1958. It was not, therefore, possible to report the progress made regarding achievement of physical targets at this stage.

Co-operative Banks: A scheme for strengthening the existing co-operative banks and for organising new co-operative banks had been included in the second Five-Year Plan, and the Union Ministry of Food and Agriculture was implementing it, stated Shri A. P. Jain, Union Minister for Food and Agriculture, in a written reply to a question by Shri Bishwanath Roy in the Lok Sabha recently. The objective, Shri Jain added, was generally to have one strong Central bank per district.

Research in Biological Control of Pests: The Biological Control Laboratory, Bangalore, was carrying out research work on reduction in the number of animal plants pests by means of biological control, i.e. by using beneficial organisms (virus, bacterial and fungus diseases, predacious and parasitic animals, particularly insects) which prey on them. A survey of existing natural enemies of insect pests in the country was in progress, and already numerous new records had been made. A study of the natural enemies of the Green Shield Scale, 'Pulvinaria psidii Maskell', was also being made on behalf of the Bermuda Government, and a survey for egg parasites of fruit flies was being carried out on behalf of the Australian Government.

INDUSTRY

Handicrafts Development Corporation Set Up: The Government of India have set up an organisation, known as the Indian Handicrafts Development Corporation (Private) Limited. The Corporation, which has been registered under the Companies Act, will organize production of handicrafts on a commercial basis to ensure prompt supply against orders, particularly in regard to exports. Supplementing the effort being made at present by private as well as official agencies,

the Corporation will establish trade connections, sales depots and selling agencies for carrying out the functions assigned to it. Market surveys to explore prospects for Indian handicrafts in foreign markets will also be undertaken. To be able to ensure adequate supply against orders from foreign countries as well as for stimulating the internal demand, the Corporation may organize production through co-operatives, artisans or its own production centres. The Corporation will generally assist in promoting the development of handicrafts including improvement in the method and techniques of production, management and marketing. The authorized capital of the Corporation will be Rs. 1 crore.

Two More Industrial Co-operatives for Handlooms in Kerala: Two more industrial co-operatives for handlooms are to be established in Kerala under schemes approved by the Government of India. Another scheme provides for the participation of the Andhra Pradesh Government in the share capital structure of a co-operative spinning mill in the State. The other schemes, recently approved, are for setting up a training centre for weavers and for the continuance of pattern-making factories, sales depots, and mobile sales vans in different States for marketing of handloom fabrics. In Kerala the two industrial co-operative societies are being formed by the conversion of a textile company and a weaving company. The weavers will become partners in the ventures and enjoy the fruits of their labour. Loans of over Rs. 1.18 lakhs have been given to the State for financing the share capital of weaver members to be enrolled in the societies, for providing the working capital for the looms and for the land and buildings. Provision has also been made for dye house equipment, looms and accessories.

Panel of Experts for Leather Industries: The setting up of a Panel of Experts for leather and leather-goods industries, which play an important part in the national economy, has been suggested at a meeting convened by the Ministry of Commerce and Industry, to consider the problems facing the industries and their development programmes. The Panel will consider from time to time problems like shortage of raw hides in the country, survey of indigenous tanning materials, plantation of trees like wattle, babul and others, which provide tanning substances, and marketing of tanned hides and skins. Standardization of leather-goods for export markets and efficient functioning of existing units will also be examined by the proposed panel. It will make recommendations to Government for the development of the industry. The leather and leather-goods industries provide employment to a large number of workers and earn considerable amount of foreign exchange through the export of tanned hides and skins, footwear and other leather-goods.

Glass Globes for Hurricane Lanterns: The Indian Standards Institution has published an Indian standard specification for glass globes to be fitted in hurricane lanterns (IS: 1116-1957). A separate Indian standard specification for hurricane lanterns is under preparation. The specification covers the two most popular sizes of glass globes. It prescribes the dimensional and performance requirements for the glass globes and lays down the tests for checking compliance with those requirements. Copies of the standard, at present available in English only, can be had from the Indian Standards Institution, 9, Mathura Road, New Delhi-1 and also from its branch offices at 40-40A, Cawasji Patel Street, Fort, Bombay-1, P-11, Mission Row Extension,

Calcutta-1 and 23, Nungambakkam High Road, Madras-6.

TRADE

Value of Import Licences: Replying to a question by Shri M. R. Masani in the Lok Sabha, the Minister for Commerce, Shri Nityanand Kanungo, said that the total value of import licences issued in 1957 in respect of capital goods, heavy electrical plant, other machinery and consumer goods was Rs. 453 crores. This includes the licences issued in the first four days of 1958. The value of such licences issued in 1956 was Rs. 668 crores. The total of outstanding commitments at the end of March 1958, Shri Kanungo said, was of the order of Rs. 864 crores. This was made up of Rs. 523 crores on Government account, Rs. 41 crores on account of import of steel, mainly by the Iron and Steel Controller and Rs. 300 crores on private account. The estimates of outstanding commitments on licences issued for imports by the private sector were based on periodical tabulation of information available at the Customs Offices at the major ports. The outstanding commitments on Government account were reported from time to time by the Government agencies concerned.

Export of Handloom Cloth: A scheme for inspecting and quality marking handloom fabrics intended for export will soon be introduced by the All-India Handloom Board. The object of the scheme is to ensure quality of handloom fabrics for export, with a view to consolidating and expanding overseas markets for handloom products. An organisation is being set up in Madras with inspecting officers, who will work under the guidance of the Inspecting Wing of the Cotton Textiles Fund Committee, Bombay. The fabrics will be inspected and stamped by the inspecting officers in Madras Region on application by exporters to the Deputy Textile Commissioner, Madras-18. The inspection will be carried out without any charges for the present and the certification trade mark will be stamped by the officers of the Board on fabrics inspected. The scheme will be introduced in other important stations of handloom export as soon as it is found necessary.

FINANCE

Customs and Excise Revenue Collected in Indian Union: According to the returns received in the Department of Commercial Intelligence and Statistics, the total gross sea, land and air customs revenue collected in the Indian Union during the month of December, 1957, amounted to Rs. 13.99 crores as compared with Rs. 15.31 crores in the corresponding month of the previous year. The comparison in the subsequent paragraphs should be taken to refer to that of the current figures with those of the corresponding period of the preceding year, except in the case of air customs for which the previous year's figures are not separately available. Of the total customs revenue collections, import duties accounted for Rs. 11.19 crores as against Rs. 11.82 crores export duties for Rs. 2.04 crores as against Rs. 3.20 crores, land customs and miscellaneous for Rs. 65 lakhs as against Rs. 29 lakhs and air customs for Rs. 11 lakhs. The total gross collection of Union excise duties amounted to Rs. 22.53 crores as compared with Rs. 19.84 crores. During the nine months, April to December, 1957, the grand total of gross customs and Union excise revenue realised was Rs. 331.63 crores as compared with Rs. 264.95 crores during the corresponding period of the preceding year. Of this amount, import duties accounted for Rs. 116.54 crores as against Rs. 102.26 crores export duties for Rs. 18.22 crores as against Rs. 21.87 crores, land customs and miscellaneous for Rs. 3.90 crores as against Rs. 2.65 crores, air customs

for Rs. 1.74 crores and Union excise duties for Rs. 191.23 crores as against Rs. 138.17 crores.

Tunisia Joins World Bank and International Monetary Fund: Tunisia became the 66th national to join the International Bank for Reconstruction and Development (World Bank) and the International Monetary Fund. Tunisia's membership became effective when the bank and IMF articles of agreement were signed for Tunisia by its ambassador to the United States, Mongi Sijm. Tunisia's quota in the International Monetary Fund is \$12,000,000 and its subscriptions to the capital stock of the bank is 120 shares with a total per value of \$12,000,000.

Wealth Tax. According to the information so far received from the various Wealth Tax Commissioners, total collection of Wealth Tax up to the end of March 1958, amounted to Rs. 6,69,01,800. This included Rs. 1,73,05,400 in the case of individuals and Rs. 4,77,55,300 in the case of companies. The balance represented collections from Hindu undivided families. The revised Wealth Tax budget for 1957-58 had been estimated at Rs. 9 crores. The collections had thus fallen short of expectations by about Rs. 2.31 crores. Three reasons were assigned for the shortfall. These were: The Wealth Tax Act, 1957, received the assent of the President on 12-9-1957 and the time to file the return under Section 14(1) of the Act was available to the assessee up to 31-12-1957. Assessment work started only from January, 1958, and it could not be possible to dispose of all the cases during a period of three months up to 31-3-1958. (2) As the Act was new and the assessee could not familiarise themselves with its provisions fully, there were frequent requests for extensions which had to be granted in the first year of its working. (3) In the case of Individuals and Hindu undivided families, there was no data available about their net wealth and so estimates were made on the basis of income assessed to income tax. Actual experience has shown that these estimates were too high.

GENERAL

STC's Services to Cement Consumers: In a written reply to a question by Shri V. C. Shukla in the Lok Sabha, the Minister for Commerce and Industry, Shri Lal Bahadur Shastri, gave details of the services rendered by the State Trading Corporation to the consumers of cement. Shri Sastri said that a uniform f.o.r. destination price at railway heads had been introduced, as a result of which all consumers in the country, including distant places like Assam, North Bengal, Manipur and Tripura were getting supplies at the equalised price. The Corporation had also rationalised movements of cement, eliminating all long irrational leads, cross movements and transshipments, etc., on the railways. This had resulted in railway transport being utilised to the best advantage as far as possible. To meet the gap between demand and indigenous production of cement, the STC had imported high priced cement from foreign countries and distributed it to the consumers at the equalised price. The Corporation had 18 selling agents all over the country to handle and distribute indigenous and imported cement. A very extensive stockists organisation to distribute cement to the consumers all over the country was working under the selling agents. In reply to another question by the same Member, the Minister for Commerce, Shri Nityanand Kanungo, said that recently the S.T.C. had even started moving surplus cement of certain factories in Saurashtra and South India by sea to Calcutta. This was being sold at the uniform selling price, although it involved heavy additional expense.

NEWS IN BRIEF

INDIA

It is reported the Food and Agriculture Ministry is considering proposals for increase in internal prices of sugar to subsidize exports to enable the sugar industry to compete in foreign markets where prices have lately fallen sharply.

The Union Government have finally decided to establish both the proposed heavy machine building plant and the forge foundry plant at Hatia Village near Ranchi. The heavy machine building plant is to be built with Soviet aid and the forge foundry plant with the aid of Czechoslovakia.

The tariff commission has taken up for investigation the question of continuance of protection and assistance to the antimony industry beyond December 31, 1958. Special "questionnaires" for producers, importers and consumers are ready for issue and copies can be obtained from the secretary to the commission.

A scheme for inspecting and quality marking handloom fabrics intended for export will soon be introduced by the All-India Handloom Board. The object of the scheme is to ensure quality of handloom fabrics for export, with a view to consolidating and expanding overseas markets for handloom products.

The pace of expansion in industrial production slowed down considerably in 1957, according to final available figures. The general index of industrial production (with 1951: 100 as base) during 1957 averaged 136.9 compared to 132.6 in the previous year and 122.1 in 1955.

Production of cloth by the cotton textile mill industry in March this year is provisionally estimated at about 410 million yards. Final figures of cloth production in January and February this year 437 million and 392 million yards respectively.

The Indian Standards Institution has circulated for eliciting comments, a draft Indian standard code of practice for resistance seam welding in mild steel.

The Union Deputy Minister of Planning revealed in the Lok Sabha recently that the central assistance to the Punjab State in 1956-57 was estimated to be about Rs. 15 crores. For 1957-58, he added, the central assistance intimated was Rs. 17.3 crores.

The Minister for Commerce and Industry, Shri Lal Bahadur Shastri, stated in the Lok Sabha recently that three schemes for the production of rayon yarn were expected to be completed by the end of 1958. Two more schemes were scheduled to be completed before the end of 1959 while a sixth scheme would take some more time.

A sub-committee of the Indian Central Sugarcane committee, has recommended the establishment of two biological control centres—one each in the northern and southern India—for testing the effectiveness of remedies against sugarcane borers.

The rate of sales tax payable by a dealer in respect of a number of goods has been announced in a Government notification. The revised rate in respect of coal, including coke in all its forms, cotton yarn, hides and skins, iron and steel, jute, and cotton yarn waste is two per cent and in respect of cotton of all kinds, oil seeds an iron ore one per cent.

FOREIGN

French steel output was at a new record level in March. At 1,335,000 tons, it was almost 10 per cent higher than in March 1957.

The new seven Year-Plan for the Soviet economy will like all previous Soviet economic plans give priority to the development of heavy industry. It will stress the growth of the chemical, oil and gas industries, ferrous and non-ferrous metallurgy, energy and the railway system in the Soviet Union.

It is reported New Zealand's balance of payments crisis is becoming worse, and revised estimates indicate a fall exceeding £50 million in export receipts this year. The continuing drop in export prices has dashed the Governments' hopes that 1958 would be a holding year in efforts to redress the balance of payments position.

Japan's exports in the year ended March 31, reached a post-war peak of \$2,949 million—an increase of 13.7 per cent over the preceding financial year, the trade Ministry announced recently.

United States exports in February at \$1,317 million were the lowest for any month in more than two years, according to a preliminary report of the Bureau of Census.

Australia's overseas trading position showed a slight improvement in March, when a favourable balance was recorded for the first time since December.

The UK is the world's largest exporter of footwear, the Incorporated Federated Association of Boot and Shoe Manufacturers of Great Britain and Ireland announced recently. Exports last year-concluding rubber footwear—totalled £11,193,500—an increase of nearly 8 per cent on the previous year. The total comprised 9,467,655 pairs, a rise of just under 9 per cent.

All 65 projects on which the Soviet Union's £E62 million worth of capital equipment credits are being utilised will be controlled for by the end of next month.

It is reported that most of Finland's Western trading partners have agreed to the Finnish proposals for extending the multilateral trading agreement for the period April 1, to December 31, 1958.

Shell petroleum has cut the caribbean prices of its motor gasolines, and some other fuels. Regular grade gasolines come down by ¼ per cent US gallon, and the top premium grade by ½ cent. The cuts follow the recent reductions in US gulf quotations.

It is reported that New Zealand will seek to raise a £20 million to £25 million loan on the London market in the course of the coming months.

Lancashire mills produced in average 845.23 million yards of cotton and mixture cloth weekly during March, the cotton Board announced recently. This was 1.16 million yards a week more than in February but below the average for March last year.

A DELHI NOTEBOOK

DEVELOPMENT REBATE

IN the Lok Sabha last week the Finance Minister explained the proposed amendment to the provisions in the Income-tax Act relating to the allowance of development rebate. This allowance, first introduced by the Finance Act of 1955, "is equal to 25 per cent of the value of new machinery or plant installed by a business undertaking. This sum is deducted from the profits of the concern in arriving at the total income of the year in which the plant or the machinery is installed. The result of giving such an allowance is obviously the saving of tax on an amount equal to the allowance. For instance, if machinery worth 2 crores of rupees is installed by a company, that company would be entitled to a development rebate of Rs. 25 lakhs. As the rate applicable to an Indian company of this type will be 51.5 per cent of its total income, the tax saved by the company will be 51.5 per cent of Rs. 25 lakhs, i.e., Rs. 12.87 lakhs. This sum of Rs. 12.87 lakhs is thus a clear net gain to the company. Under the present law, the company can do whatever it likes with this sum of Rs. 12.87 lakhs. It can distribute the whole of it as dividends".

IMPLICATIONS OF AMENDMENT

This has been the position regarding the development rebate up till the present amendment. In explaining the implications of the amendment, Mr. Morarji Desai made the point "it is obviously unreasonable that when Government have foregone a substantial sum of tax due to them from a company with a view to helping it in financing development, the company should distribute as profits the tax savings soon after obtaining the rebate". Under the proposed amendment, companies which get development rebate for the purpose of income-tax assessments should actually write down their profits by the amount of the allowance and create a reserve for a corresponding amount and maintain it intact for a period of ten years. This requirement to create the reserve is to apply only in respect of claims of development rebate on assets installed on or after January 1, 1958. The Government's idea is that this tax saving of a concern can be conserved for its business purposes. In the case of new ships the amount of the rebate is also proposed to be increased from 25 per cent to 40 per cent of the cost.

RESERVE FOR DEVELOPMENT

Mr. Morarji Desai concluded that one effect of the amendments regarding development rebate would be that "if the total income for any year, before allowing development rebate, falls short of the full amount of the rebate, the rebate to be allowed for that year will be limited to such total income". The balance of the rebate will be allowed to be carried forward for being claimed in the succeeding year or years. The number of years for which it can be so carried forward will, of course, be restricted to eight which is the number of years for which unabsorbed loss can be carried forward under the present law". The other effect is that "the amount to be taken to reserve need not exceed 75 per cent of the amount of development rebate claimed". In regard to this the Finance Minister thought "it is but reasonable to expect a company to whom Government has given a relief equal to 51.5 per cent of the rebate, to put into reserve from its own resources an additional amount equal to about half of this." The long and short of it all is that this reserve to be created will not be available "for the distribution of dividends" but can be used "for all legitimate purposes."

WEALTH TAX YIELD

The first-year yield of the Wealth Tax excites some interest on the score of its novelty. The Revised Estimates for 1957-58 had put down its likely yield at Rs. 9 crores. The actuals for the year, however, reveal that

its yield was only Rs. 6.7 crores. This was composed of Rs. 1.7 crores from individuals, Rs. 4.8 crores from companies and Rs. 0.2 crore from Hindu undivided families. A shortfall of Rs. 2.3 crores in estimated yield does not mean that Wealth Tax is not proving to be a mine of revenue. There were some unavoidable reasons for a lower collection in the first year. One of these was that assessment work started only from January 1958. It was, therefore, not possible to make collections in all the cases. Another reason was that requests from the assesseees for extensions had necessarily to be granted in the first year to enable them to understand the provisions of the Act fully. And the third reason was that in the case of individuals and Hindu undivided families, estimates of net wealth based on the income assessed to income-tax turned out to be too high. If, despite these reasons, the yield was as high as Rs. 6.7 crores in the first year itself, this tax is likely to bring in much more in the current year.

ADMINISTRATIVE BUREAUCRACY

How the vast enterprise of the Government of India has involved, in just six years, the employment of very nearly 100,000 additional hands, is brought out by these figures: All civilian employees of the Central Government excluding railways were 5.9 lakhs at the end of 1951 and their number swelled up to 6.9 lakhs at the end of 1957. The clerical employees in this total of 6.9 lakhs numbered in all 2.3 lakhs. According to a former Labour Minister, at least a third of the clerical establishment was surplus to requirements. One wonders what the surplus is in other cadres.

LABOUR WELFARE

The manganese mining industry will soon have a labour welfare fund to be created with the proceeds of a levy of Rs. 2 per ton on all exports of ores with more than 40 per cent manganese content. This scheme has just been approved by the Industrial Committee on Mines other than Coal. The exemption of low grade ores from the welfare levy would not, however, preclude workers in such mines from the benefits of the welfare fund.

Proposals for having a welfare fund for the iron ore mines and for setting up an integrated welfare fund for all mine workers are still in the stage of examination. As for the Minimum Wages Act, it is to be extended to all mines as early as possible, according to another decision of the Industrial Committee.

NEW INDUSTRIAL PROPOSALS

With the collaboration of an Austrian firm (M/s. Maschinen Fabrik Ludwig Berger), an Indian project is proposed to be started for the manufacture of Jaxboard by weaving reeds with galvanized wire with the help of a power-driven machine. It is stated that galvanized wire alone will have to be imported from abroad as there are already wild-growing reeds in India.

A South Indian firm which secured a licence last year for the manufacture of 8 million pounds of rayon yarn and 2,600 tons of sulphuric acid per annum has now applied for a fresh licence to manufacture 8 million pounds each of rayon yarn and staple fibre per annum, 1,050 tons per month of sulphuric acid and 225 tons per month of carbon disulphide. The difficulty here is stated to be that the second Plan's target of 32 million pounds of staple fibre has already been reached by a Gwalior factory. But the contention of the South Indian firm is that it cannot omit staple fibre from what it calls an integrated manufacturing programme covering the four products.

IMPORT LICENCES

In the period October 1957-March 1958 the total value of import licences issued and their number were Rs. 299 crores and 80,964 respectively. The respective figures in the January-June 1957 period were Rs. 384 crores and 1,18,444.

Special Article

CHINA'S FIRST FIVE-YEAR PLAN

AN assessment of China's first Five-Year Plan, 1953-57, can be made only in general terms, in the absence of an official report on the financial and physical targets as set in the Plan and as actually achieved. Not that official data are altogether lacking. But they have been published piecemeal through different sources in a manner that is not adequate to give a complete and integrated picture. These accounts invariably spotlight the "victorious fulfilment" of the annual or periodical targets. "Victorious fulfilment", in this context, means generally overfulfilment of the targets. It is remarkable that the surveys sometimes show overfulfilment even in excess of the targets prescribed for the subsequent year. In this respect, the progress of China's Plan in retrospect bears a striking similarity with the assessments of the progress of the five-year plans in other communist countries. The probable explanation lies in the fact that the technique employed is that of fixing the targets at a relatively low level in the original formal announcements. The actual results then show that they have been surpassed.

On a broad view, the conclusion that seems to emerge is that the Plan was implemented in the two sectors — agricultural and industrial — practically according to schedule. In so far as the industrial sector of the Plan is concerned, there was adherence to the various programmes particularly in respect of heavy industries. But in the final year, the tempo of growth of medium and heavy industries was slowed down and a larger allocation of resources was made to light industries. This modification did not, however, seriously affect the original programme. In agriculture, the Plan could not be fulfilled strictly according to the targets. In particular, it could be pointed out that the higher level of food grain production was achieved by intensive cultivation and not so much by extensive cultivation. It would appear that the programme of extending the acreage under cultivation suffered a shortfall which has been variously estimated up to 50 per cent. Five-sixths of the population of China subsists on agriculture. Agriculture in China, like agriculture in all the countries depending largely on rain water, is highly susceptible to droughts or heavy floods. Both these calamities visited China in 1956. As a result, agricultural production received a set-back in that year. Nor could it be found possible to adhere to the original target of food production fixed for 1957.

In the sphere of agriculture, the major laggards have been soyabeans, groundnuts, rape-seed and jute continuously throughout the Plan period. There were, of course, fluctuations and shortfalls in the production of individual food grains. In industry, impediments to the implementation of the original programmes were experienced in the petroleum, cigarette and vegetable oils industries, to mention some glaring examples. Shortfalls in terms of physical production were by no means confined to these segments of agriculture and industry as will be apparent in the brief description in the table incorporated in this article. It is essential to emphasise one important aspect of China's first Five-Year Plan. This Plan was not 100 per cent a plan for development. In some respects it was a plan for rehabilitation. The Sino-Japanese war and World War II, followed by the civil war, caused considerable dislocation of the economy. Reconstruction is still underway in some important directions. China ranked as a major producer of tea in the pre-war era. Her production of tea in 1957 was 62 per cent below the pre-war era. Similarly, or even more significantly, China takes the pride

of place in the production of silk. The progress she has made during the first Plan has not been adequate for the recovery of the pre-war level of output.

Capital investment proceeded so as to surpass the original target. The Plan allocation was for an amount of 42,740 million yuans. Including the estimate for 1957, the total capital investment is expected to reach 44,030 million yuans. Out of this, 36,600 million yuans were actually spent in the first four years, while the estimate for 1957 was placed at 7,430 million yuans. It is not clear whether this estimate represents value in constant prices or in terms of actual prices. A vital trend disclosed by the estimated overall outlay of 44,030 million yuans must not be missed. The heavy industry programme presumed a progressively rising rate of investment during the Plan period. This could not be maintained; on the contrary, investment in 1957 at 7,430 million yuans was considerably below the annual average rate of 8,000 million yuans. Some other factors also deserve to be noted. The Plan aimed at increasing the number of spindles in the cotton textile industry by 1.65 million above the actual figure of 5.66 million spindles in 1952. Nearly 60 per cent of the target of increase in spindles was reduced on the ground that it would be superfluous as raw cotton supplies were short in the last two years. In effect, it means that adequate foreign exchange was not available for import of raw cotton to make good the domestic shortfall. The drastic cut in the cloth ration imposed in 1957 is a matter of common knowledge.

Heavy industry in particular and medium industry in general plus transport may be described as the crux of the China's first Five-Year Plan. By and large, it was fulfilled. New ranges of production like aircraft, trucks, automatic internal grinding machines, overhead cranes, sheet steel and medium plate steel for automobiles, steel tubes for aircraft and alloy steel plates were added to industrial output even in its elementary stage. During the five-year period, out of 455 main industrial projects, described as projects of the "above-norm" category, were to be completed. Out of these, 448 were actually executed and put into commission. The explanation offered for the shortfall of 7 projects is that some of them were actually built with a larger capacity than originally planned. It is quite likely that some may have been provided with a smaller capacity. A fair idea of the capacity of plants is not possible to obtain. For instance, the capacity of the iron and steel works now under construction at Wuhan and Paotow has been described as "several million tons".

Communist China has devoted special attention and allocated liberal investment funds for the rehabilitation as well development of the internal transport system. As against the original target of 2,540 miles of new construction of railway lines, exclusive of laying of double-tracks and new sidings, actual construction was pushed to the higher figure of 2,730 miles. The target of 6,200 miles of highways to be built at the cost of the Central Government was fulfilled by April, 1956, and additional allotment was made for a longer network of highways. An important feature of the railway and road transport development is that regions which were very poorly served by communications have been connected with markets and production centres. The immediate object of this particular bias in transport development was to make it possible to provide a wider and more rational territorial distribution for industry. This object has been achieved particularly

in opening up mineral areas and erecting some new plants near the sources of raw materials.

A fair idea of the fulfilment of the first Five-Year Plan of China can be obtained from the table given alongside.

For reasons indicated earlier, a comparison of these targets of output achieved in the last year of the Plan, either with the original plan targets for the same year or with the targets fixed for 1956, is unlikely to serve any useful purpose. But these targets, except in the cases mentioned hereafter, have been up to the expectations actually entertained. Food grain production was 6 million tons below the prescribed target. Edible oils also represent some shortfall, one reason being that there was diversion of part of the supplies for industrial requirements such as those of the soap industry. Raw cotton also represented a shortage below the expected target. The condition of livestock, particularly after the introduction of co-operation-cum-collectivisation in 1955, has produced strains on agriculture. The first category is 3.57 million below the approved target. A considerable shortage of draft animals is felt mainly in densely populated agricultural areas. These trends, as they emerged in the last year of the Plan, underline the element of uncertainty in planning for agriculture.

SELECTED QUANTITIES OF OUTPUT IN 1957

Foodgrains (excluding Soyabeans)	185,000,000 tons	Vegetable Oils (edible-factory produced)	1,450,000 tons.
Tea	113,500 tons	Cotton	1,640,000 tons.
Sugar	850,000 tons	Livestock (Horses, oxen, mules and donkeys)	84,300,000 head
Livestock (pigs)	110,000,000 head	Cotton Cloth	175,000,000 Mt.
Silk	11,000,000 Mt.	Electric Power	18,860 m. kwh.
Cloth	117,270,000 tons	Crude Oil	1,500,000 tons
Coal	5,554,000 tons	Steel	4,987,000 tons
Pig Iron	499,000 tons	Caustic Soda	178,000 tons
Ammonium Sulphate	6,807,000 tons	Generators	284,000 kw.
Cement	1,251,900 kw.	Transformers	3,598,000 kva.
Electric Motors		Metal-cutting Machine Tools	22,600 units.
Lorries	7,000 units		

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The Business World

ALL ABOUT LANCASHIRE TEXTILE TALKS

By CROESUS

By the time these lines appear in print, the two-man delegation from India, consisting of Mr. Kasturbhai Lalbhai and Mr. Neville Wadia, will have reached the UK for holding discussions on the subject of cloth imports into that country, following the resumption of the agitation in Lancashire. Of course, this is not the first time that Lancashire has been asking for restriction of textile imports into the UK from India, Hong Kong and Pakistan. It has almost become a hardy annual.

The demand was first made in the second part of 1955 and was revived early last year, when a cotton industry delegation from the UK, headed by Sir Cuthbert Clegg, was in India. Earlier in 1955, there was a textile delegation from the UK headed by Mr. Angus D. Campbell. But, it must be added here that the object of the Campbell mission at that time was to have a market survey of British textiles and to secure a reduction of import duties thereon. The purpose of Sir Cuthbert's visit as well as of that Sir Frank Lee to India recently after his visit to Hong Kong, however, was not either to ask for a further increase in the quota of British textile exports to India, or to urge a reduction of import duties thereon, but to limit exports of Indian cloth to the UK. Evidently, British textile interests are encouraged by their past successes and feel convinced that there is nothing like repeated efforts to achieve their end. It must be said to the credit of the bargaining capacity of the successive visiting textile teams from the UK that they have succeeded in wresting one concession after another from this country.

In the wake of these concessions, the hope expressed by Mr. Campbell that Lancashire would be able to send at least between 10 and 15 million yards of cloth to India was more than fulfilled. Again, when Sir Cuthbert visited India, he secured provisional agreement that India would accept a ceiling on imports of Indian textiles into Lancashire, provided Hong Kong and Pakistan also were agreeable to such a limitation. If Hong Kong flatly refused to subject herself to any such ceiling and the position remained unchanged, it was not India's fault.

Be that as it may, with a steady accumulation of stocks from the beginning of this year, again, and faced with large-scale stoppages of the mill industry, Lancashire interests succeeded in prevailing upon Sir Frank Lee, Permanent Secretary to the Board of Trade, to visit Hong Kong and India, among other countries, to hold discussions with both the local mill interests and the Governments of the respective countries. Unlike Sir Cuthbert, Sir Frank did not come to India first, but went to Hong Kong, presumably because arrivals of cloth from Hong Kong into the UK in the first two months of this year amounted to over 15 millions sq. yards, as against less than 10 million yards during the same period in the previous year, or a rise of more than 50 per cent! Notwithstanding this, Hong Kong interests, the shrewd business men that they are, seized the opportunity of Sir Frank's visit first to Hong Kong to show themselves off as good boys and, indeed, more accommodative than they were last year by telling Sir Frank that they would welcome further talks—mark the expression “further talks” and the absence of any commitment to “agreement”—if Lancashire would first establish a basis for a ceiling on imports from India and Pakistan. The effect of this has been that the situation remains where it was when the Sir Cuthbert's Mission first came to India last year and secured a provisional agreement that India would accept a ceiling if Hong Kong and Pakistan also did the same.

If India did not want to accommodate Lancashire, she could have straightaway rejected the suggestion, even as Hong Kong did last year, and this would have led to a breakdown of the negotiations. But, India,

consistent with her tradition and past records, has agreed to have further discussions with Lancashire interests. As a matter of fact, as between Hong Kong and India, Lancashire, has perhaps less reasons to complain against India, because, unlike the sharp rise in Hong Kong's cloth exports to the U.K., India's exports of cotton yarn and woven fabrics for the first two months of 1958 are valued at only about £3,000 more than that for the corresponding period of 1957, the relevant figures being £1,458,000 for January-February 1958, as against £1,485,000 for the same period in 1957.

That India's case would be ably put forward by the two veterans of the Indian cotton mill industry is taken for granted. Their views on the subject are also well known. It was at the instance of Mr. Kasturbhai, it may be recalled, that India agreed at Buxton to export 1,000 million yards of cloth. It is still green in the memory of all Indians how Mr. Neville Wadia carried on a controversy on this subject, almost single handed, in the “Manchester Guardian” to disabuse certain wrong impressions, or rather ‘fictions’ as he described them, about the Indian mill industry, such as that the Indian mill industry enjoyed an “unfair advantage” and received a “concealed subsidy” because of access to cheap home-grown cotton and low wages to Indian labour. While both the eminent Indian millowners may be expected to reiterate their views, it is perhaps necessary to mention here some important factors that require to be stressed in any discussions with Lancashire on the subject at issue.

In the first place, India's need to export as much as possible — not only cloth, but all goods — is greater today than at any time before, thanks to her parlous foreign exchange reserves.

Secondly, — for the reason stated above — without necessarily flourishing the trump card of the position as a member of the Commonwealth and as a signatory to the GATT, India must be assured of the present rate of imports at least for some more years to come. After all, even today, India's textile exports to the U.K. are no more than a meagre 18 per cent of her total textile exports.

Thirdly, since the main complaint from Lancashire is that more of imported cloth has lately been entering into home consumption, figures must be collected of the respective shares of exports of India, Hong Kong, Pakistan, Japan, etc. responsible for this alleged encroachment on Lancashire's domestic preserves. Incidentally, this should serve as a basis for any formula that may have to be evolved in the event of there being an agreement on a ceiling on cloth imports into the U.K. It must also be ascertained to what extent the cloth exported to the U.K. from this country and also from other countries actually go for reprocessing and re-exports.

Fourthly, Lancashire interests must be told that this question, so far as it relates to India at any rate, has to be viewed from the overall India-U.K. trade picture.

Fifthly, the enormity of the cloth crisis through which the Indian mill industry has been passing today and its implications to the country's economy as a whole must be clearly impressed upon the cotton mill industry in the U.K.

Finally, Lancashire must be asked to sympathise with the daily growing competition in the world's markets for textiles, particularly in India's traditional markets, from countries like Japan and West Germany, not to speak of new rivals like Pakistan, Brazil, Egypt, and China, in addition, of course, to the competition that it has to face at the hands of the State-patronised handloom industry.

BUSINESS NOTES

A NEW VENTURE

THE OPENING early this week of the Rs. 17.5 million ferro-manganese plant at Joda in Orissa by the State's Chief Minister Dr. Hare Krushna Mahatab was a significant event from the point of view of industrialisation of this backward State. A Tata venture, it is one of the several plants for which licenses have been issued for the development of the ferro-manganese industry during the second Plan. The construction of the plant, which forms part of Tata Steel's Rs. 120-crore project to raise output to two million tons, has been made possible consequent on the power that became available from Hirakud. Starting with an initial capacity of 36,000 tons a year, it is proposed to step up output of the plant by stages to 100,000 tons a year. The target for ferro-manganese under the second Plan has been set at 160,000 tons of which it is expected 100,000 tons would be available for export. This would enable the country to earn foreign exchange of about Rs. 9 crores. Thus it is easy to see the importance of this industry not only in relation to the development of the steel industry but also as a foreign exchange earner.

Speaking on the occasion, Sir Jehangir Ghandy drew attention to the fact that in addition to ferro-manganese, exports of ore would also continue. But since India's reserves of high grade ore were limited, it was necessary to adopt some restrictions to conserve these deposits. In this context, he stressed the need for finding some use for low grade ores so that the economic life of the mines could be prolonged. For this, the process of beneficiation and its economics, which has been taken up by the National Metallurgical Laboratory, must be satisfactorily proved. It is, therefore, with some eagerness that the present experiments would be looked forward to. Sir Jehangir also suggested that a systematic exploration and detailed prospecting of the State's mineral wealth should be undertaken without further delay and here he instanced how the existence of high grade manganese deposits in Orissa outside of Keonghar was not known until 1938-40 when the Koraput deposits were discovered. He was, however, glad that the State Government had accepted the idea of a techno-economic survey to make a realistic assessment of the State's industrial potential. Together with a similar survey now under way in Bihar and its extension to Madhya Pradesh, it would be now possible to make a survey of the entire industrial belt spreading through the contiguous States of Bihar, Orissa and Madhya Pradesh. Since hydro-electric power is becoming increasingly available from the Machkund and Hirakud projects, it is not necessary to exaggerate the urgency of such a survey for fostering the industrial growth of this region.

MITIGATING IMPORT HARDSHIPS

FROM THE recent informal meetings which commercial bodies in Bombay had with Mr. S. N. Bilgrami, Chief Controller of Imports and Exports, Government of India, it would appear that their pleas for reconsideration of the import policy for raw materials, in respect of which the indigenous industries have been experiencing difficulties in procuring supplies, as well as for treating with sympathy the case of the established importers, left with very little scope under the present import policy, are likely to be reconsidered, by the Government, though not immediately. But, even so, the Government cannot afford to be altogether indifferent to certain legitimate grievances of the trade and industry, if only because such indifference is bound to affect production adversely.

When the Import-Export Committee of the Indian Merchants' Chamber met Mr. Bilgrami, Mr. G. P. Kapadia, President of the Chamber, referred to some features of the import policy that affect and made certain pertinent suggestions, which deserve the Government's earnest consideration. These include, among others, extension of the principle of granting advance licences, which is being considered in respect of non-ferrous metals, to some more items as are in the nature of basic raw materials, especially those for which the demand in the international markets is very large in relation to supplies, reconsideration of the import policy for raw materials in respect of which indigenous manufacturers are experiencing hardships, grant of 'ad hoc' licences to parties who propose to manufacture any item of machinery in the country in collaboration with, or with the assistance of, foreign manufacturers so that they may introduce the new item in the domestic market in the intervening period, and the enlisting of the services of the existing trade channels for internal distribution of some articles which are now canalised through Government or Government-sponsored agencies. Both to these suggestions and to the complaint of Mr. S. M. Shah, President of the Importers' Association that the present import policy had taken into account the interests of only actual users and that the established trade had been starved by reducing its quota drastically, Mr. Bilgrami's reaction seemed sympathetic, and he even promised reconsideration. He not only admitted that the established importers were left with smaller scope under the present import policy than before but also hinted that they might be given some relief in future if the foreign exchange position improved. Immediately, however, he promised to consider the possibility of liberalising to some extent imports of art silk yarn and copra.

PROTECTION TO CALCIUM CARBIDE

FROM THE speech of Mr. K. R. Damle, who has just retired as Chairman of the Tariff Commission, at the opening of the public enquiry into the question of continuance of protection to the calcium carbide industry beyond December 31, 1958, one gets the impression that the industry has made hardly any progress since 1956, in spite of the fact that it has enjoyed tariff protection since that year and that the country is still depending, to a large extent, on imports for its supplies, thanks to the imbalance between indigenous production and domestic demand. This imbalance bids fair to increase in the near future as the demand is likely to increase enormously with the completion of the various steel projects now in progress. Besides, calcium carbide is a very important industry, having varied uses and is likely to form the nucleus for the development of many other industries like plastics and synthetic organic chemicals. In view of the increasing importance of this industry to the economy, there is a case for continuance of tariff protection at least for some years to come, that is, until the indigenous industry can come into its own.

The protective duty for the calcium carbide industry is 50 per cent 'ad valorem', which is the same as the revenue duty. It is the purpose of the present inquiry partly to find out whether there is any case for the continuance of protection to this industry and partly to recommend the fair ex-factory prices of calcium carbide. There are at present three units in the industry with a rated annual capacity of 5,050 tons, which is expected to be increased to 41,600 tons a year within a couple of years. As against this present capacity, domestic demand is estimated at 10,000 tons

in 1956, 13,000 tons in 1957 and 16,000 tons in 1958. However, the quantity available for consumption, which includes domestic production and imports, during the last three years is placed at 9,929 tons a year on an average. Thus, despite the potential growth to 41,600 tons when all the existing and prospective units work to capacity, the bulk of the country's requirements is still being met now from imports, the chief sources of supply being Norway, Yugoslavia, China, and Canada. Nevertheless, the quantum of imports has been steadily decreasing; the figure which stood at 9,422 tons in 1954-55 and at 7085.15 tons in 1955-56, came further down to 5976.35 tons in 1956-57. During April-August 1957, imports were of the order of 2979.5 tons valued at Rs. 17.97 lakhs.

From the proceedings of the inquiry so far, it would appear that the industry is suffering from two handicaps, namely, the problem of locating better quality raw material and the high cost of electricity. The important raw materials required for the manufacture of calcium carbide are limestone, coke, charcoal and petroleum coke. The industry which, for all practical purposes, was confined to but one of the units only — namely, The Birla Jute Manufacturing Co., Ltd. — has not yet been able to locate better quality raw materials. Similarly, this unit's electricity cost, which works out to 5.33 nP. per KWH, is very high for our electro-chemical industry.

DUNLOP RUBBER'S PROGRESS

SPEAKING AT the annual general meeting of the Dunlop Rubber Co. (India) Ltd., Mr. John Luckham, Managing Director, pointed out that though during the year under review production increased in nearly all

lines, they were not able to meet the demand for all their products. Government had no doubt permitted limited imports to help relieve some of these shortages, but particularly in respect of cycle tyres and rims, sufficient quantities had not been available to meet requirements. Mr. Luckham was, however, able to report progress in many directions. During 1957, the installation of plant for the manufacture of large earth-mover tyres was completed and production commenced early this year. Good progress was made in the range of industrial rubber products and particularly the demand for conveyor belting had exceeded all expectations. The popularity of Dunlopillo for all its various uses also continued to grow and the additional capacity which was installed during the year was utilised to the full.

With regard to the expansion plans again, he was able to present a hopeful picture. Satisfactory progress was being made at the new factory at Ambattur near Madras and it was very likely that production of bus, truck and cycle tyres would commence at the beginning of next year. Expansion was also continuing at Sahaganj and in particular increased production of giant tyres, cycle tyres and cycle rims was well in hand. Referring to raw materials, he said that the supply position was generally satisfactory but he suggested that production planning problems would be considerably lessened if Government could grant import licences for essential raw materials on a longer basis than six months at a time. He was also confident that since their expansion plans had the approval of Government, licences to import increased quantities of raw materials would be granted.

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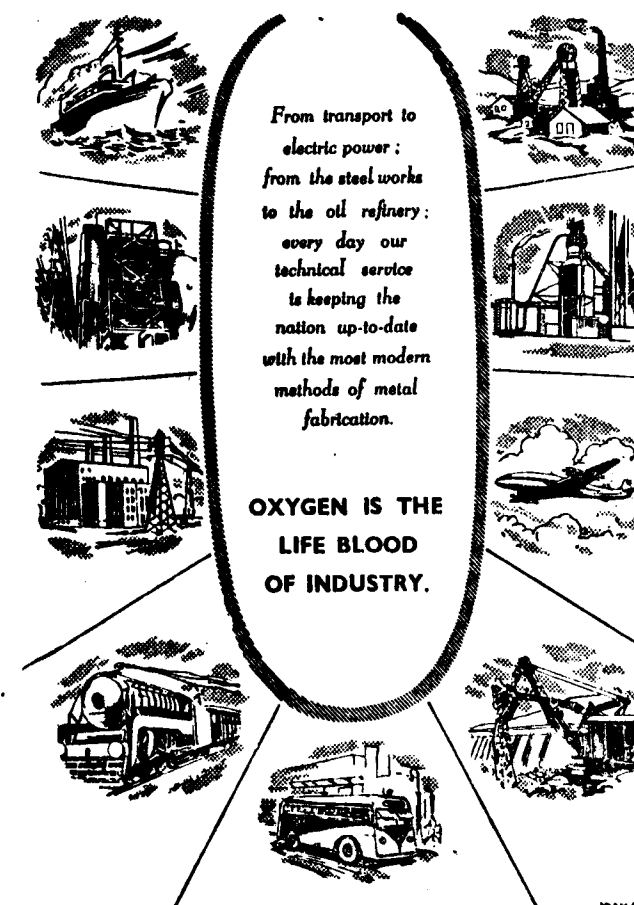
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True—Shell chemicals have to be imported because they are not manufactured in India. Indigenous materials are however, used in their formulations. And for every rupee spent on importing aldrin, enough extra sugar can be produced to earn sixteen rupees of foreign exchange. This is a sensible expenditure whichever way you look at it: food for thought, in fact.

Company Meeting

MANAGING DIRECTOR'S SPEECH

THE DUNLOP RUBBER CO. (INDIA) LTD.

MR. JOHN LUCKHAM'S REVIEW

The 32nd Annual General Meeting of The Dunlop Rubber Co. (India) Ltd., was held in Calcutta on the 18th April.

Mr. John Luckham, Managing Director, said:

Gentlemen,

The Directors' Report and Accounts for the year 1957 have been in your hands for some time, and with your permission I will take them as read.

It is with great regret that we have to record since our last Meeting the loss which we have suffered in the passing of two of our Directors.

Mr. George Morgan died in Calcutta on the 26th June, 1957. Mr. Morgan originally came to Calcutta in 1889 and the experience which he gained during his distinguished career was of very great value to your Board of which he was a member since 1945.

On the 19th January this year Mr. Kanai Lal Jatia, who had also been on your Board since 1945, died from a heart attack at his Calcutta residence. His wise counsel was at all times made freely available to the interests which he so earnestly served, and he will be greatly missed in the industrial field with which he was connected.

You will have seen from the notice convening the Meeting that it is proposed to appoint Mr. E. H. Morris to the Board. Mr. Morris first came to India in 1933, and apart from service in this country, has had many years of service with the Dunlop Rubber Co. Ltd. in the Far East. He returned to India in 1956 as General Sales Manager following the untimely death of Mr. Guy Stack. The Company's business is expanding so rapidly that your Board feel it necessary to have a wholetime Director at the head of the Company's selling organisation and Mr. Morris is recommended for this appointment.

THE YEAR'S TRADING

During the year production increased in nearly all lines, but even so we were not able to meet the demand for all our products. The Government permitted limited imports to help relieve some of these shortages, but particularly in respect of cycle tyres and rims sufficient quantities have not been available to meet requirements.

During the past year the road transport industry has been undergoing tremendous changes and expansion, particularly long distance goods transport. The modern truck now engaged in this work requires tyres capable of carrying heavy loads at high speeds over long distances. Such tyres must be built with the best available materials and using the latest manufacturing techniques. It is in this respect that your Company is particularly fortunate in having available to it the full resources of the Dunlop world-wide research, technical and engineering organisations.

We have continued to retain our premier position in the car tyre market. The progress which the motor

car industry has been making in recent years is in danger of slowing up owing to the difficult licensing situation of the imported components. The reasons for this are too well known to everyone and unfortunately these are likely to persist for some time.

The bicycle industry has continued to grow very rapidly and the demand for our products has been well in excess of supply. I will deal separately with our expansion plans to meet this situation.

During 1957 the installation of plant for the manufacture of large earthmover tyres was completed and production commenced early this year. The demand for this type of tyre is increasing.

Good progress was made in our industrial Rubber products range and in particular the demand for conveyor belting has exceeded all expectations.

The popularity of Dunlopillo for all its various uses continues to grow and the additional capacity which was installed during the year was utilised to the full.

EXPANSION PLANS

I am happy to be able to tell you that satisfactory progress is being made at your new factory at Ambattur, near Madras, and we are hopeful that everything will be ready for the production of bus, truck and cycle tyres to commence at the beginning of next year. The construction of the main buildings is well under way and plant and machinery are beginning to arrive in the country.

Expansion is also continuing at Sahaganj and in particular increased production of giant tyres, cycle tyres and cycle rims is well in hand.

I advised you at the Annual General Meeting last year that an issue of further share capital would form the basis of the Board's plans for raising additional capital. As most of you will be aware, in July 1957, 14 lakhs of new Ordinary Shares of ten rupees each at a premium of five rupees were offered to the Ordinary Shareholders in the proportion of 7 for 8 existing shares. It is gratifying to be able to report that in spite of the difficult conditions this issue was an unqualified success. The net proceeds of the issue amounted to Rs. 203 lakhs. As a result of the issue the Subscribed Ordinary Capital now stands at Rs. 3 crores as against Rs. 160 lakhs at the end of 1956.

RAW MATERIALS

The raw materials supply position was generally satisfactory although on several occasions during the year our stock position became dangerously low in some of our main requirements. There was a period when

the congestion in Calcutta port seriously delayed clearance of vital cargoes but the position improved very considerably towards the end of the year. Our production planning problems would be considerably lessened if Government could grant import licences for essential raw materials on a longer basis than six months at a time.

There was virtually no improvement in the production of raw rubber in India during 1957 as compared with the previous year. On the other hand, consumption of rubber reached a new record, with the result that we had to rely on considerable imports. In my report last year I mentioned that import licences for raw rubber issued after August, 1956, were subject to a cess if the imported rubber landed at a cost less than the local price. On imports during 1957 we paid nearly Rs. 11 lakhs to the Rubber Board on this account, and we also had to absorb Rs. 2 lakhs on rubber which was imported at a price higher than the local price.

Prices of raw materials were stable throughout the year but there were increases in import duty on a number of raw materials and machinery parts.

As I have already said, our production is due to expand very considerably in the near future to meet the essential needs of the road transport industry which is so vital in this country. This expansion has, of course, the full support and approval of the Government and we are, therefore, confident that licences to import increased quantities of raw materials will be granted.

PROFIT AND LOSS ACCOUNT

The net profit for the year after providing for depreciation, interest and taxation was Rs. 80,67,449 compared with Rs. 55,09,909 for 1956. In the face of the high level of taxation and the rapid expansion of our business, the building up of our internal resources continues to be of paramount importance. The Directors, are, therefore, proposing the transfer of Rs. 30 lakhs to General Reserve. This will increase the General Reserve to Rs. 238,83,000 and you will see from the Balance Sheet that the increased Ordinary Share Capital is covered more than one and a half times by the total Reserves and Surplus. The rate of Ordinary Dividend was maintained without change at 15 per cent from 1951 to 1956 and in view of the improved results the Directors consider there should now be a modest increase. They are, therefore, recommending a final Ordinary Dividend of 8½ per cent, which with the interim dividend paid in June, 1957, gives a total of 16½ per cent for the year and absorbs Rs. 38,25,000. The surplus carried forward will then be Rs. 22,23,000.

BALANCE SHEET

The additions to Fixed Assets during the year amounted to Rs. 97 lakhs, most of which was in respect of building and plant additions at your Sahaganj factory, but this also included Rs. 17,80,000 expended on the new Ambattur factory. The amount of depreciation written off in 1957 was Rs. 27,69,000. A special provision of Rs. 6,60,000 made in previous years has now been transferred to Special Depreciation Reserve, and after allowing for this the net value of fixed assets has increased during the year by Rs. 69 lakhs to Rs. 382 lakhs.

Stock Inventories at Rs. 486,84,000 were Rs. 31,37,000 higher than at the close of the previous year, but even

so finished goods stocks were abnormally low owing to the ever-increasing demand for the Company's products. Sundry Debtors were up by Rs. 83,66,000 due to the greater sales turnover.

Turning to the liabilities side of the Balance Sheet, I have already commented on the increase in Ordinary Share Capital and Reserves. Compared with the end of 1956 the bank borrowings have been reduced by Rs. 42,79,000 and the unsecured loans of Rs. 76,07,000 have been repaid. In spite of substantial increases in Sundry Creditors and Provision for Taxation there was an overall reduction in current liabilities of Rs. 56,46,000 resulting from the additional share capital subscribed during the year.

EMPLOYEE RELATIONS

The standards of our welfare facilities and working conditions have been well maintained throughout the year. General labour relations remained cordial and I am sure you would like to join with the Directors in thanking the staff and operatives for their loyal and willing service throughout the year.

NOTE:—THIS DOES NOT PURPORT TO BE A RECORD OF THE PROCEEDINGS OF THE ANNUAL GENERAL MEETING.

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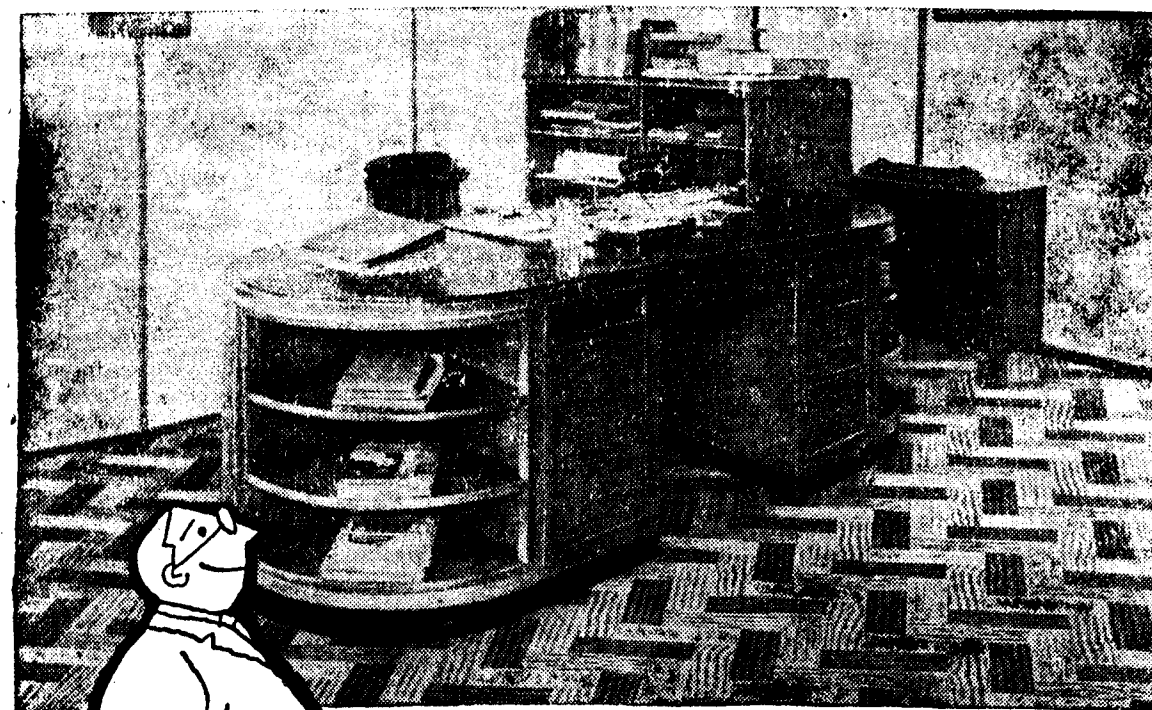
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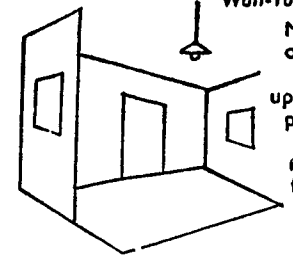
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BOOK REVIEW

A FIFTH ESTATE

British Pressure Groups: J. D. Stewart, Oxford University Press:

by C. S. Venkatachar, I.S.C.

Lobbying, though a legitimate form of political activity carries with it deservedly or undeservedly a vague notion of political corruption. There are no special laws to restrict the procedure of lobbying but there is the great authority of Erskine May, based on a resolution of Parliament of June 2, 1895, that the "offer of money or other advantage to any Member of Parliament for the promoting of any matter whatsoever pending or to be transacted in Parliament is a high crime and misdemeanour and tends to the subversion of the English Constitution." This safeguards any attempt to bribe an M.P. Secondly, any improper influence is a breach of privilege, and there are rulings of the House to this effect. A third safeguard is the working of the modern party system organised on a nation-wide basis; it transcends pressure groups.

These three restrain the strategy, the campaign and the lobbying of the pressure groups in a parliamentary democracy. Mr. Stewart goes so far as to hold that pressure groups are necessary to the Government of Britain's complex society. In his own words, they have become a fifth estate, the means by which many individuals contribute to politics.

Consequently, pressure groups are not merely respectable or just tolerated in Britain's political system. "They are called into consultation by the Government. They have access to Departments and even to Ministers. In many cases they help to formulate Government policy." (p. 203).

It is on this premise that Mr. Stewart has developed a detailed study of what he calls the process of consultation which Government establishes with the various pressure groups. From the frequency of consultations a relationship has grown between groups and Government in which "both parties feel able to meet freely in discussion of common problems."

At the same time, the pressure groups have limited scope for exerting pressure on Government. The procedure of consultation cannot infringe the prerogative of Parliament. For example, it is not usual to show the actual draft of a Bill in a discussion between the department and a group. The group cannot afford to overestimate its own strength nor be carried away by enthusiasm for its cause. If a group is anxious to obtain practical results, its requirements may more often be met by discreet pressure and by confining itself to politics of detail rather than to the politics of issues. Again, there are limitations to the use of parliamentary question as a means of seeking redress. Often, the groups find that a Minister who is not convinced by argument, is not going to be disturbed by a public challenge which a parliamentary question involves. The pressure tactics of some groups may induce them to sponsor a private member's bill. This has a very restricted use for it has value only when it comes under the umbrella of Government's benevolent neutrality on the bill.

Most of the groups studied by Mr. Stewart belong to sectional groups representing a section of the community chiefly concerned with protecting and advancing the common interest of the groups. They embrace large sectors of national life of England in trade, commerce, industry and professions. Of these, the agricultural interests campaigned by the National Union of

Farmers appear to have exercised great influence on the Government of the day for over a decade.

Another class of groups best described as cause groups reflect the national temperament of the English. They represent some belief or principle. One of the best known of these is the Howard League for Penal Reform which always places great weight on its relation with M.P.s. and Government also recognises it as a responsible body with views to be listened to with respect. Further away from such a well-known body are the numerous anti-vivisection and animal welfare bodies. There are also those sturdy and curious campaigners—the Sunday Freedom Association, a weak body in opposition to its stronger enemy, the 'Lords' Day Observance Society; the latter is said to have an income of £29,000.

From whichever source the pressure groups originate they all converge to the centre to which the campaigners' activities are directed — the House of Commons. For truly Parliament is the court of appeal for discontent. Whether it be the contact man; or the group sends an M.P. to Parliament or whether pressure groups have M.P.s as elected members of their executives, the main objective is to utilise Parliamentary form of activities as a way of supplementing consultation and to influence, though not formally bind, the M.P. to a desired course of action. By resorting to Parliamentary form of activities, the ventilation of grievances and the forces of discontent are channelled into constitutional forms. If the last mentioned are transgressed, then the balance is disturbed and pressure groups may become a danger.

Democracy is government by consent and consent implies consultation and advice. In a modern society numerous are the channels through which flow the wishes of the people to Parliament and to Departments of Government. They exert their influence on the civil servants and politicians in the formulation of policies and the enactment of legislation.

The working of the pressure groups is a new facet of the present-day development of democracy in a Welfare State and it is yielding interesting results on the working of Parliament and of the party system. So far little of this development has been known to the public. Mr. Stewart's study is a pioneer contribution to this aspect of democratic politics.

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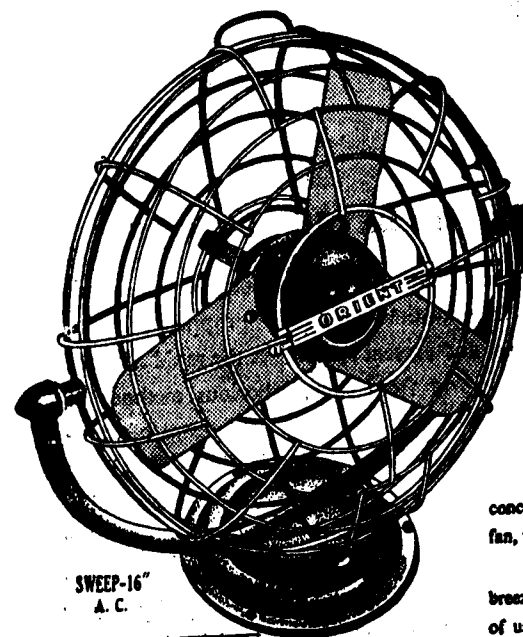
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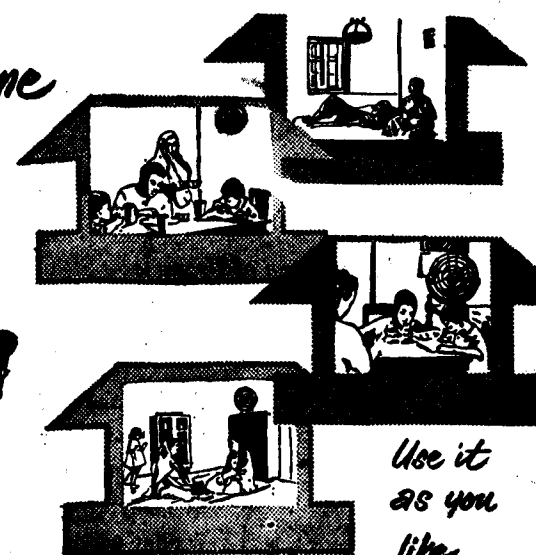


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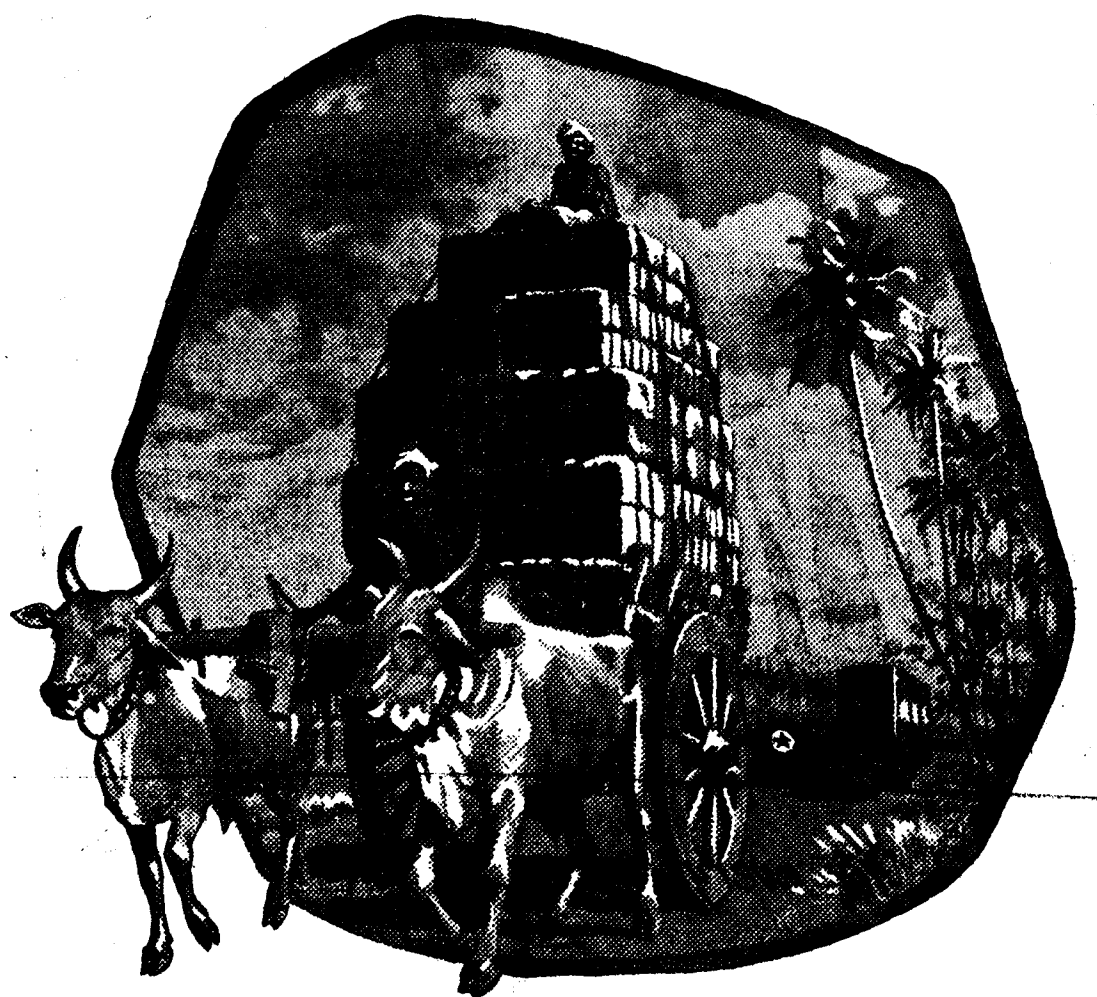
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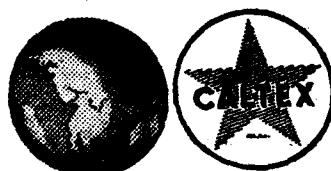
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PETROLEUM PRODUCTS

COMPANY AFFAIRS

BOMBAY DYEING AND GOKAK

Two more mill Chairmen have addressed their respective shareholders at annual general meetings and they also have reiterated the view that they cannot speak confidently of the current year's (1958) prospects. Mr. Neville Wadia, the Bombay Dyeing Chief, observed that the first half of this year was likely to be worse than 1957, although he expressed the hope that the situation later on might improve, if the United States took measures to stop the recession. Similarly, Mr. F. H. Kemple, the Chairman of the Gokak Mills, stated that, "unless conditions improved in the near future, trading results for 1958 would be far from happy." Referring to the heavy stocks with mills and dealers, the Gokak chairman said that the very depressed conditions in the cloth markets today were having their effects on the handloom industry, with the result that the usual offtake of yarn by the latter was not in evidence. Mentioning that a number of mills had already been obliged to close or reduce shifts, he added that the Gokak Mills also was about to reduce production and also to stop spinning staple fibre yarn. He, however, said that the stopping of staple fibre yarn production was because of the poor margins obtained and the complicated excise control involved.

That both the Chairmen view the future of the industry with subdued optimism was, however, clear from the reference that either of them made to the expansion or rehabilitation programmes of their respective Mills. Mr. Neville Wadia disclosed that the Bombay Dyeing would spend about Rs. 70—Rs. 80 lakhs in 1958 towards the last phase of its development programme and that, after some breathing time, they would consider the question of future expansion. He also revealed that about 850 automatic looms had been installed and the rest would be ready in the next few months. By the middle of July, he hoped, the Spring Mills would be working to full capacity. Mr. Kemple also told the shareholders that his Company continued to spend substantial sums on repairs and renewals. Explaining the reasons for the expected results not materialising, he referred to certain substantial alterations in the rehabilitation plans of the Mills by advancing the erection of improved machinery and delaying other items of work. He also said that there were unfortunately certain complications in the working of the draw and speed frames which caused delays in erection. He, however, hastened to add that the troubles were fast being rectified.

At the Bombay Dyeing annual meeting, Mr. Neville Wadia disclosed that the Company would not issue

bonus shares because of the heavy tax (Rs. 73,02,000 if one bonus share was issued for one existing share). "There is no chance of even one for ten issue, as I am not prepared to pay a pie of tax on this account," he said. Mr. Wadia also disabused the shareholders about rumours of his retirement. He said he would not leave the Company as long as he was wanted and reassured the shareholders that the recent sales of shares by Nowrosjee Wadias would not involve any change in the managing agency.

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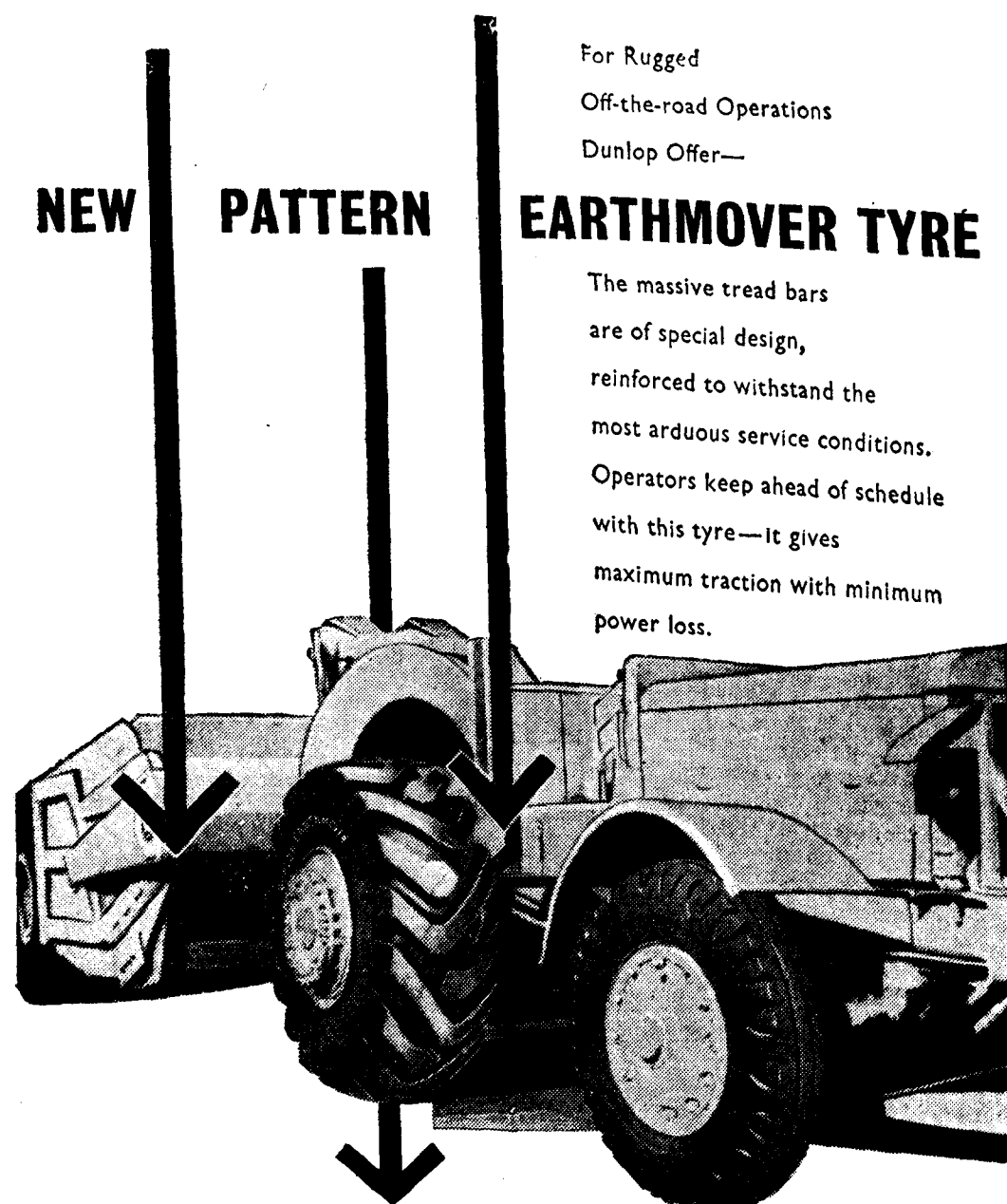
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COMMODITY NEWS AND NOTES

INCREASED PRODUCTION OF IRON ORE IN INDIA

The production of iron ore in India increased during 1957 to 5,020,000 tons, according to the Indian Bureau of Mines. The production during the preceding year was 4,858,000 tons. The two major producing states—Bihar and Orissa—accounted for 1,935,000 and 2,042,000 tons respectively. Production in respect of these states in the previous year was 1,848,000 and 1,770,000 tons. Among the minor producing states Andhra Pradesh accounted for 267,000, Mysore 532,000 and Bombay 119,000 tons in 1957. The production in these states in the preceding year was 402,000 tons, 541,000 tons and 127,000 tons respectively. The production in the country during the quarter ending December 1957 was 1,330,000 tons. Among the producing states, Bihar accounted for 506,000 tons, Orissa 566,000 tons, Andhra Pradesh 57,000 tons, Mysore 120,000 tons and Bombay 46,000 tons. The production in this quarter was higher by 233,000 tons as compared to the preceding quarter and by 28,000 tons as compared to the corresponding quarter of the preceding year.

EXPORT QUOTA OF SESAME SEED OIL RELEASED

The Government of India have reviewed the export policy for sesame seed oil and have decided to release a small quota for export by all shippers during the period ending September, 1958. The licensing procedure is being notified by the Export Trade Control authorities at the ports.

STEPPING UP OILSEEDS PRODUCTION

To step up research in oilseed crops and raise production, the Indian Central Oilseeds Committee has formulated a scheme for award of prizes annually to breeders who evolve the best strains of groundnut, castor, linseed, rape-mustard and sesamum in the country. Under this scheme, extension officers will also be awarded prizes for their work in spreading cultivation of the best varieties. Oilseeds are a valuable source of foreign exchange for India, the exports of edible and non-edible oils produced from them having fetched over Rs. 30 crores in 1955-56. According to the present scheme, three prizes of Rs. 5,000, Rs. 3,000 and Rs. 1,000 will be awarded for each of the five major oilseeds, will be awarded annually. Prizes for extension officers will be 45,000 annually. Prizes for extension officers will be on a similar pattern. In addition, a running silver shield will be awarded annually to the State which records the largest area and production of oilseed crops of improved strains. The Oilseeds Committee has appointed a four-member sub-committee for framing rules for the award of these prizes and working out details of the scheme.

NEWSPRINT EXPORTS

Exports of Canadian newsprint to the British Isles in March and the first three months of this year were very considerably less than a year ago, according to the Canadian Newsprint Association. Shipments in the Canadian Newsprint Association. Shipments in March are reported to have declined to 19,454 tons from 35,589 tons a year earlier and the three months total fell to 48,328 tons from 75,194 tons. Shipments of Canadian newsprint to all markets in March fell to 471,091 tons from 526,533 in March, 1957, and the total for the first three months to 1.38 million tons from 1.55 million tons. Newsprint production in March was also lower, falling 9.1 per cent from March, 1957 to 521,763 tons. This is 87.2 per cent of the 1958 rated capacity.

OUTPUT OF RAW RUBBER

The annual output of raw rubber in India from 1952 to 1957 was as follows:

Year	Quantity in tons
1952	19863
1953	21136
1954	21493
1955	22481
1956	23444
1957	23767

IMPORT OF TYRES

The amount of foreign exchange involved in the import of tyres for motors and cycles during 1952 to 1957 (January-October) was as follows:

Year	Value in lakhs of rupees
1952	14.65
1953	26.35
1954	33.05
1955	35.88
1956	183.38
1957 (January-October)	96.03

SHARP RISE IN CEMENT OUTPUT

The increased production of cement has created an easier supply position as a result of which the control of supply of this commodity to the public has been considerably relaxed by the State Governments. With further expansion of capacity and production in the offing, the Government is reported to be exploiting the possibility of exporting a substantial quantity of cement. Cement production rose from 4.9 million tons in 1956 to 5.6 million tons last year. It is expected that the annual rate of production may rise to 7 million tons by the end of this year. With the rise in production, the monthly allocation of cement has been increased from 2,42,320 tons in September, 1957 to 3,65,480 tons at present. The Government of India advised the States last January to abolish the present system of distribution of cement to the public against permits. Completely free sales of cement has since been introduced in Mysore, Kerala, Delhi, Himachal Pradesh and Manipur. A number of other States have introduced free sales subject to a maximum quantity per family or individual.

BURMA TO EXPORT JUTE

There is possibility of Burma's entry into the field of jute export in the near future to provide an alternative source of raw material to jute industries outside India, reports the Jute Bulletin of the Indian Central Jute Committee. The Burma Government has received a recommendation from the Director General, Agricultural and Rural Development Corporation, that all top qualities and grades of grown internally should be released for export. The recommendation is based on satisfactory grading results of Burmese jute samples sent to Dundee for tests. It is of interest to note that even though jute cultivation in Burma has not yet been undertaken on a commercial scale, the last crop of 1,500 tons gave, on grading, an average of 25 per cent Mill Firsts/Mill Lightnings, with the balance made up of Export Firsts and Lightnings. The next crop is planned to produce over 5,000 tons.

PER-CAPITA CONSUMPTION OF SUGAR AND GUR

The per-capita consumption of sugar and gur in India was 11.3 lbs. and 18.5 lbs. respectively. The total production of sugar and gur in 1956-57 was 20.29 lakh tons and 32.57 lakh tons respectively. It was further indicated that the production of gur and sugar was sufficient for the needs of the country.

EXPORT OF COFFEE TO SOVIET UNION AND EAST GERMANY

The Minister for Commerce, Shri Nityanand Kanungo, told in the Lok Sabha that 2,008 tons of coffee were exported to the German Democratic Republic in 1956-57 and 1,500 tons were exported to the Soviet Union during the same period. The export of coffee to these countries before 1956 was almost negligible.

ALLOW THE FILM INDUSTRY TO LIVE & GROW

AN APPEAL TO THE GOVERNMENT OF INDIA

The South has made rapid strides in the progress and development of the film industry involving a huge investment in studio space to the extent of 56 floors, equipment and much more employment than in any other part of India. The following figures bear ample testimony to its importance:

NUMBERS OF PICTURES PRODUCED IN SOUTH INDIA

Year	Tamil	Telugu	Malayalam	Kannada	Hindi	Sinhalese	Total
1952	31	25	11	1	5	—	73
1953	45	31	7	7	2	—	92
1954	39	28	9	11	2	—	94
1955	46	24	7	15	5	4	101
1956	50	27	5	14	5	6	107
1957	46	36	7	14	6	8	117
UNDER PRODUCTION	166	50	6	10	8	4	244

NOTE: Permission has been refused to 155 producers who have finalised their arrangements with artistes and studios. Have they to run the risk of losing their investments?

117 pictures were produced last year. 244 are under production this year. As a result of the cut in raw film imports, it is not possible to complete these pictures in respect of which a huge sum of nearly seven crores of rupees has got locked up. How to complete these pictures which have progressed so far is a dilemma.

The minimum cost of a Tamil picture is 3½ lakhs of rupees. The cost of raw film involved in such a production is Rs. 65,000/-, inclusive of release copies. The average foreign earnings of a Tamil picture is Rs. 1,20,000. This means every average Tamil picture earns foreign exchange twice the amount it consumes in raw films.

We appeal to our policy-makers to please realise that the cut imposed is really:

- A cut in the foreign exchange earnings;
- A cut in the stability and progress of this huge and essential private enterprise;
- A cut in the employment of lakhs of people involved who cannot otherwise be absorbed in any other industry; and
- A cut in the income to the States and the Centre by way of taxes.

DELAY IS DANGEROUS,

SOUTH INDIAN FILM PRODUCERS

CURRENT STATISTICS

INDEX NUMBER OF WHOLESALE PRICES

(Base: 1952-53=100)

		Food articles	Liquor & Tobacco	Fuel Power Light & Lubricant	Industrial Raw materials	Manufactures			All Commodities
						Intermediate Products	Finished Products	Total	
1954-55	..	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.5
1955-56	..	86.6	81.0	95.0	99.1	100.1	99.6	99.7	92.4
1956-57	..	102.2	84.3	104.1	116.0	110.9	105.5	106.2	105.2
1957-58	..	108.4	94.0	113.6	116.5	107.3	108.1	107.9	108.4
September 1957	..	108.5	93.7	114.5	115.4	107.3	108.9	108.6	109.5
October	..	107.2	95.0	114.5	114.8	106.7	109.1	108.6	108.8
November	..	107.9	96.5	115.0	116.0	106.0	108.8	108.4	109.3
December	..	104.0	97.5	114.9	115.4	105.7	107.8	107.5	107.0
January 1958	..	102.5	96.4	114.6	113.6	106.7	107.8	107.7	106.0
February	..	100.8	96.7	114.8	111.1	105.8	107.7	107.4	104.6
March	..	102.3	94.9	114.7	111.2	106.8	107.7	107.5	105.4
Week Ended									
8-3-1958	..	101.7	95.2	114.8	110.3	106.4	107.9	107.7	105.0
15-3-1958	..	102.4	95.2	114.8	111.2	107.4	107.7	107.7	105.5
22-3-1958	..	102.5	94.4	114.5	111.8	106.9	107.8	107.6	105.6
29-3-1958	..	103.4	94.4	114.5	112.9	107.1	107.4	107.3	106.1
5-4-1958	..	103.9	93.4	114.5	113.6	108.4	107.7	107.8	106.6

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

period	Bombay		Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934 = 100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936 = 100	Ludhiana†	Jamshedpur†	
1939 Aug-Dec.	103	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	146	309	168	136	134
1949	292	307	248	132	348	478	151	323	164	138	138
1950	298	313	257	132	349	434	153	325	165	145	138
1951	314	330	261	142	370	451	168	334	167	160	144
1952	321	337	260	143	351	441	150	330	151	154	141
1953	346	363	275	140	349	453	151	351	147	156	145
1954	342	359	244	138	327	408	139	341	148	140	138
1955	322	338	218	130	321	371	133	321	134	135	132
1956	336	352	244	142	347	424	151	356	152	146	145
1957	352	368	259	150	364	448	162	375	157	158	152
1957 May	346	362	257	151	352	441	163	369	157	156	150
June	352	368	259	152	371	446	168	373	159	156	155
July	358	374	263	152	371	459	165	375	159	164	155
August	359	375	265	155	375	468	163	373	157	166	156
September	357	373	262	140	378	464	160	372	156	167	157
October	356	372	260	149	375	461	162	375	155	166	156
November	365	383	265	148	378	457	165	391	156	168	157
December	365	383	257	145	375	443	165	390	154	166	156
1958 January	362	381	254	144	368	434	162	387	151	166	153
February	361	380	—	143	364	427	159	387	149	163	153*
March	—	—	—	142	—	—	—	385	—	—	—

† Base 1944 = 100.

* Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	18-4-1958			11-4-1958			4-4-1958			28-3-1958		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola)	114.12	112.91	113.46	113.62	111.16	112.30	111.75	110.41	110.84	112.34	110.75	111.53
Silver (per 100 fine tolas)	201.94	198.56	200.36	198.44	196.06	197.48	196.06	194.56	195.19	195.87	194.56	195.16

RESERVE BANK OF INDIA
ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSET						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1948-49*	1,231.84	22.02	1,253.86	42.49	907.47	949.96	75.43	42.98	265.82	1,253.86
1949-50*	1,128.94	24.00	1,152.94	40.02	847.04	887.06	59.59	50.53	415.36	1,152.94
1950-51*	1,163.21	17.19	1,180.40	40.02	824.70	864.72	58.31	57.21	488.30	1,180.40
1951-52*	1,189.84	27.78	1,217.62	40.02	825.27	865.29	54.64	63.99	458.47	1,217.62
1952-53*	1,114.94	27.87	1,142.81	40.02	684.40	724.42	52.89	80.22	458.08	1,142.81
1953-54*	1,133.95	23.03	1,156.97	40.02	694.02	734.04	54.86	92.83	430.11	1,156.97
1954-55*	1,196.19	22.98	1,219.17	40.02	848.81	888.83	56.58	102.26	428.09	1,219.17
1955-56*	1,339.39	17.08	1,356.47	40.02	856.52	896.54	51.36	106.87	553.06	1,356.47
1956-57*	1,475.77	18.75	1,494.52	40.02	845.61	885.63	39.95	115.93	765.22	1,494.52
1957-58*	1,529.86	23.13	1,552.99	117.76	329.38	447.14	28.79	130.02	975.84	1,552.99
Average of Fridays July 1957	1,527.79	34.84	1,562.62	117.76	406.52	524.28	33.55	127.54	910.81	1,562.62
August	1,495.65	30.71	1,526.37	117.76	369.52	487.28	31.92	131.22	907.87	1,526.37
September	1,477.66	36.41	1,514.07	117.76	338.60	456.36	30.14	133.82	923.89	1,514.07
October	1,487.74	28.43	1,516.17	117.76	317.92	435.68	28.78	133.92	941.57	1,516.17
November	1,481.61	32.66	1,514.27	117.76	293.14	410.90	27.13	134.27	969.35	1,514.27
December	1,508.32	14.69	1,523.00	117.76	278.95	396.71	25.28	132.76	993.53	1,523.00
January 1958	1,533.77	13.77	1,547.54	117.76	256.42	374.18	24.18	131.41	1,041.95	1,547.54
February	1,551.89	18.01	1,569.90	117.76	245.54	363.30	23.14	129.78	1,076.42	1,569.90
March	1,576.97	11.44	1,588.42	117.76	208.37	326.13	20.51	128.38	1,133.93	1,588.42
Week Ending 21-3-1958	1,571.83	16.97	1,588.80	117.76	171.19	288.95	18.18	128.74	1,171.10	1,588.80
28-3-1958	1,579.13	10.21	1,589.35	117.76	171.19	288.95	18.18	129.20	1,171.10	1,589.35
4-4-1958	1,619.69	7.94	1,627.63	117.76	216.07	333.83	20.51	127.57	1,166.23	1,627.63
11-4-1958	1,638.22	13.18	1,651.39	117.76	224.07	343.83	20.82	131.34	1,176.23	1,651.39

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS					ASSETS						
	Central Government	Other Governments	Banks	Others	Total	Other Liabilities†	TOTAL LIABILITIES & ASSETS*	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances
1948-49*	222.17	16.93	80.53	58.52	393.72	15.33	419.05	22.12	4.28	307.78	1.71	3.34
1949-50*	141.19	23.12	67.00	64.39	295.69	15.76	321.45	24.12	4.30	280.91	3.36	8.39
1950-51*	148.60	17.71	62.22	62.29	290.82	18.14	318.97	17.31	3.04	107.70	2.37	6.77
1951-52*	181.30	15.93	58.68	69.22	325.15	18.62	353.77	27.92	6.31	187.14	5.90	19.42
1952-53*	136.40	7.79	52.89	61.93	259.02	23.69	292.71	28.03	6.64	133.56	2.85	19.03
1953-54*	105.44	23.40	46.52	57.45	232.80	23.91	266.72	23.22	9.46	123.31	1.78	19.84
1954-55*	89.13	20.66	55.20	36.29	201.28	23.62	234.90	23.24	6.10	87.53	1.14	26.55
1955-56*	60.11	19.86	53.77	18.31	152.04	35.69	197.64	17.21	9.78	66.96	1.73	36.69
1956-57*	57.52	14.11	52.48	19.73	143.81	91.21	245.02	18.91	5.69	64.77	4.89	85.34
1957-58*	51.44	11.35	80.93	111.59	255.31	83.18	407.74	23.26	4.95	40.90	33.00	77.75
Average of Fridays July 1957	53.64	2.79	86.56	149.28	292.27	45.01	422.28	34.97	3.10	29.21	26.99	74.82
August	65.46	7.40	90.80	126.86	290.31	46.20	421.51	30.84	3.38	20.94	31.46	81.90
September	51.52	7.96	101.87	110.31	271.66	49.15	405.81	36.64	5.99	27.32	42.90	68.80
October	51.93	7.91	94.04	111.25	265.12	56.59	410.71	26.53	3.04	18.34	40.26	72.21
November	52.89	8.94	104.79	110.91	277.53	58.08	420.59	33.00	2.28	21.37	41.23	58.22
December	57.64	8.22	75.00	115.07	255.93	58.52	399.46	14.80	4.78	24.38	36.07	55.13
January 1958	54.97	21.36	68.29	114.61	259.22	72.24	416.46	13.88	2.83	31.40	35.40	68.63
February	54.24	17.59	73.50	113.24	258.56	73.15	416.71	18.12	2.49	33.76	39.20	68.03
March	50.45	40.98	70.26	116.92	278.62	82.68	446.29	11.56	9.16	67.23	33.55	75.10
Week Ending 21-3-1958	49.71	77.54	67.99	118.87	314.05	84.05	483.10	17.10	10.29	103.00	24.20	74.56
28-3-1958	48.33	54.85	67.83	117.52	288.53	92.46	485.99	10.35	7.68	95.81	21.23	78.40
4-4-1958	55.27	7.24	81.06	116.32	259.89	88.03	432.93	8.01	12.72	68.34	37.63	73.92
11-4-1958	49.23	13.63	77.84	116.56	257.27	81.14	423.41	13.31	21.92	51.82	46.59	55.53

* Average of Fridays. ** Includes (i) paid-up capital of Rs. 5 crores and (ii) reserve fund of Rs. 5 crores up to June 28, 1957 and of Rs. 80 crores from July 5, 1957. † Includes National Agricultural Credit (Long-term Operations) Fund of Rs. 15 crores from July 6, 1956 and of Rs. 20 crores from July 5, 1957 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 2 crores from July 5, 1957. ‡ Includes cash and short-term securities. Figures in brackets refer to Pakistan. NOTE: The Gold Reserve of Issue Dept. are revalued at Rs. 62.50 per tola from Oct. 6, 1956.

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5+6) as percentage of (4)	Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Govt. Securities in India
	Demand	Time	Total (2+3)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1948-49	674.56	303.88	978.44	37.51	76.63	11.67	424.85	16.44	45.10	--
1949-50	597.79	272.59	870.38	34.47	65.85	11.53	426.74	15.35	50.79	--
1950-51	599.13	278.45	877.59	34.68	60.78	10.88	447.03	11.87	52.29	--
1951-52	593.73	290.82	884.55	37.33	57.29	10.70	523.59	22.81	63.06	303.48
1952-53	546.23	309.26	855.49	33.33	51.82	9.95	461.64	38.47	60.48	306.34
1953-54	526.76	328.26	855.00	31.97	44.48	8.98	442.79	51.40	59.56	321.29
1954-55	608.64	407.95	1,016.59	32.66	53.91	9.50	468.39	84.66	60.68	339.74
1955-56	559.62	351.86	911.55	34.64	52.52	8.69	514.37	113.08	63.02	370.71
1956-57	653.34	453.92	1,107.26	36.94	50.23	7.96	626.08	155.56†	71.39	359.35
1957-58	723.89	619.19	1,343.08	39.34	77.55	8.72	723.79	167.32†	66.77	385.54
Average of Fridays December 1957	716.73	683.20	1,399.93	38.83	72.31	7.94	698.35	149.67†	60.53	431.33
January 1958	718.43	694.22	1,412.65	38.58	66.46	7.26	738.87	153.37†	63.16	443.62
February	721.05	722.68	1,443.74	38.28	70.05	7.50	773.17	156.96†	64.08	432.90
March	738.44	727.12	1,465.56	38.21	68.11	7.26	793.31	154.39†	64.66	438.50
Week Ending 21-2-1958	729.62	724.97	1,454.59	37.49	69.28	7.34	774.35	152.72†	63.74	433.37
28-2-1958	727.79	724.62	1,452.41	38.48	73.13	7.68	778.85	152.70†	64.14	433.45
7-3-1958	727.97	726.48	1,454.45	40.38	77.63	8.11	783.05	153.39†	64.38	433.29
14-3-1958	739.65	722.99	1,462.64	38.36	63.16	6.94	787.94	152.17†	64.27	440.09
21-3-1958	740.88	724.51	1,465.39	36.90	63.86	6.88	796.34	155.57†	64.06	440.26
28-3-1958	745.25	734.50	1,479.75	37.21	67.78	7.09	805.59	156.44†	65.03	440.36

* Undivided India.

† Including foreign bills purchased and discounted.

MONEY SUPPLY IN INDIA

(Lakhs of rupees.)

Last Friday	Money supply with the public	Total currency with the public	Deposit money with the public			
			Total	Demand liabilities of banks	Other deposits with Reserve Bank†	Total variations in money supply
(1)	(2) = (3) + (4)	(3)	(4)	(5)	(6)	(7)
1952-53	1,764.71	1,199.25	565.46	544.95	16.51	-39.08
1953-54	1,793.97	1,229.43	564.54	549.83	14.71	+29.26
1954-55	1,920.63	1,311.77	608.86	599.16	9.71	+126.65
1955-56	2,184.32	1,505.09	679.23	667.22	12.01	+263.69
1956-57	2,312.89	1,556.50	756.39	744.74	11.65	+128.57
March 1957	2,312.89	1,556.50	756.39	763.43	11.65	+48.34
April	2,362.37	1,586.44	775.93	762.01	12.51	+49.48
May	2,381.99	1,596.43	785.55	772.79	23.55	+19.62
June	2,344.04	1,562.85	781.19	758.55	22.64	-37.95
July	2,307.41	1,522.11	785.30	763.41	21.89	-36.63
August	2,237.92	1,490.78	747.14	735.72	11.42	-69.49
September	2,233.79	1,491.00	742.79	729.99	12.81	-4.10
October	2,280.84	1,497.11	783.73	769.17	14.56	+45.87
November	2,242.78	1,499.11	743.66	730.54	13.12	-36.91
December	2,274.50	1,526.19	748.31	731.80	16.51	+31.72
January 1958	2,318.35*	1,553.65*	764.70*	748.69*	16.01	+43.85*
February	2,328.70*	1,568.83*	759.87*	744.68*	15.20	+10.35*

* Provisional.

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

Source: Monthly Bulletin of Reserve Bank.

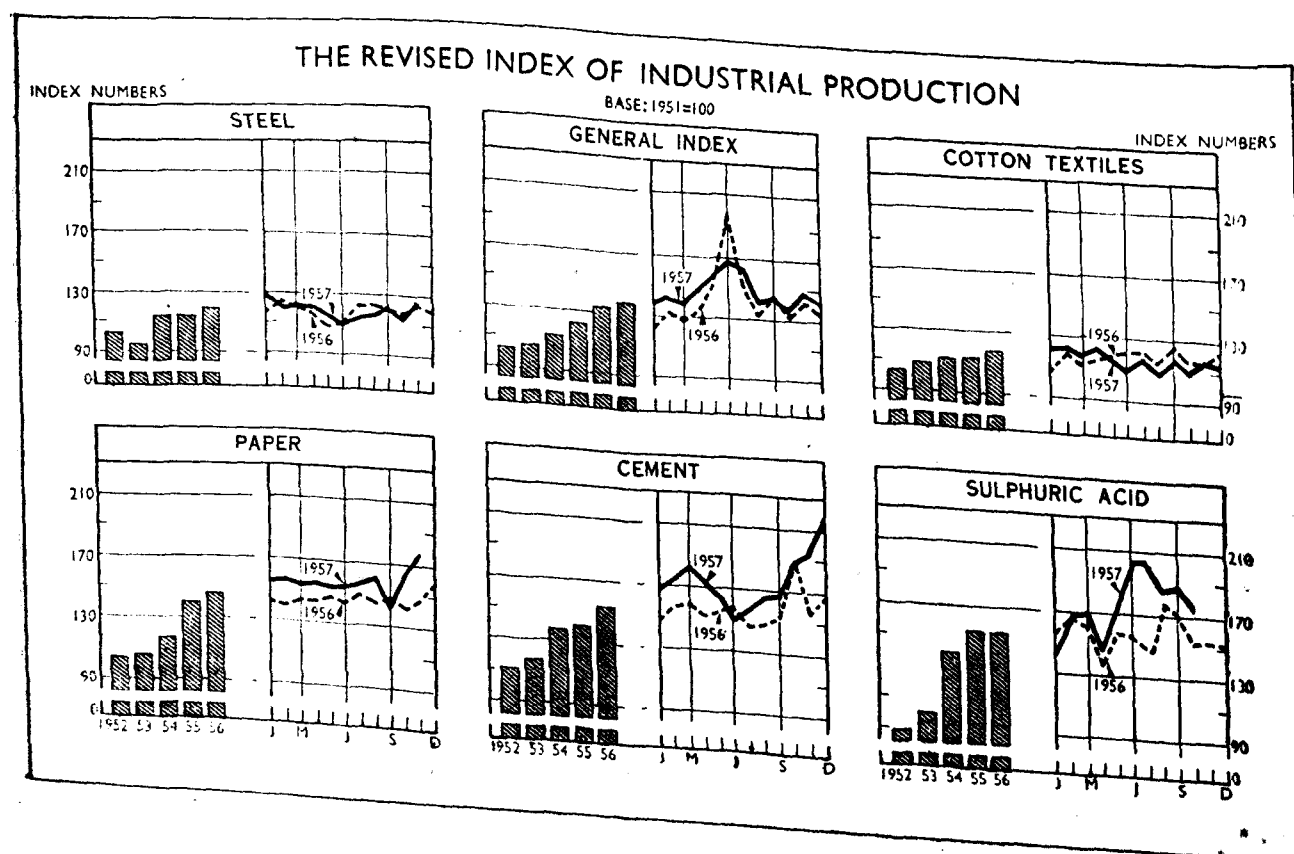
THE REVISED INDEX OF INDUSTRIAL PRODUCTION

(1951=100)

Year and month	General Index	Coal	Cotton Textils			Jute	Chemicals	Cement	Iron and Steel	Gen. Engineering	Paper	Sugar	Tea	Electricity
			Total	Yarn	Cloth									
1953	105.6	104.5	109.1	108.4	109.5	101.1	130.0	118.3	95.7	108.9	105.9	115.8	96.7	113.1
1954	112.9	107.2	110.9	113.5	109.5	107.3	141.1	137.6	113.2	151.9	117.7	97.4	102.0	127.0
1955	122.1	111.4	111.9	117.3	109.2	118.9	159.0	140.4	113.3	183.3	140.2	143.0	106.2	131.2
1956	133.0	114.9	117.5	122.0	115.2	127.3	171.1	154.2	119.4	218.1	140.6	175.1	106.0	164.1
1957	136.9	—	—	—	—	—	—	—	—	—	—	—	—	—
April	134.8	114.6	115.2	118.6	113.5	132.3	185.0	150.8	116.6	207.4	143.4	294.3	84.0	162.3
May	151.0	114.1	118.6	118.1	118.8	138.6	161.7	154.4	108.7	213.4	147.4	601.3	111.4	166.1
June	200.3	113.6	121.7	123.7	120.7	139.7	177.2	158.4	109.9	220.8	145.5	1,664.4	116.5	165.5
July	153.1	108.9	122.3	126.2	120.3	129.4	167.1	146.1	121.7	220.2	149.9	590.2	124.8	160.5
August	133.2	113.8	114.9	120.7	112.0	123.7	172.4	146.9	122.6	227.1	145.5	194.8	116.0	169.6
September	146.4	111.1	125.8	130.5	123.4	120.9	174.7	152.5	120.6	226.7	149.1	353.4	113.0	163.9
October	131.9	109.3	116.2	122.4	113.2	111.8	170.6	188.1	117.4	220.0	143.4	231.7	105.5	165.8
November	142.3	118.2	115.1	122.5	111.5	120.4	175.9	157.3	124.6	240.7	148.0	369.9	96.1	168.4
December	136.1	126.6	122.4	130.7	118.2	118.7	177.1	169.7	120.9	239.3	157.3	191.7	58.1	177.2
January 1957	139.9	124.4	122.4	130.8	118.2	123.8	179.6	169.0	129.3	247.1	156.0	135.6	131.5	174.1
February	142.7	133.6	122.7	133.1	117.5	123.5	196.8	174.4	121.1	252.9	157.7	128.0	139.3	180.0
March	138.1	125.3	116.0	126.8	110.6	117.3	180.1	181.0	122.1	269.8	154.2	169.7	123.6	176.3
April	147.7	132.1	122.2	133.4	116.6	124.0	185.1	173.7	120.2	269.6	155.5	326.8	92.8	186.7
May	156.2	130.1	114.6	126.4	108.7	121.1	175.2	165.1	115.6	247.5	154.1	692.7	87.8	186.8
June	168.5	118.0	109.4	120.0	104.1	114.2	160.9	149.6	109.7	224.4	154.7	1,090.2	110.8	186.0
July	162.3	114.3	116.6	127.9	110.9	118.4	176.1	156.5	113.9	233.1	156.2	800.8	125.4	186.0
August	141.6	115.8	108.6	121.9	101.9	112.7	178.9	165.6	116.7	226.1	160.7	423.8	106.5	185.0
September	145.4	129.3	118.3	132.0	111.4	121.6	184.1	168.3	120.4	232.6	143.7	329.1	113.1	191.5
October	134.4	121.9	107.4	120.1	101.0	113.8	176.1	188.0	115.1	189.4	163.2	333.1	111.4	183.3
November	148.1	139.3	115.4	129.7	108.3	120.0	188.8	194.1	125.5	212.7	163.2	398.7	96.4	191.4
December	141.8	139.0	114.2	128.1	107.2	126.0	—	215.9	—	—	—	204.2	107.4	—

* General Engineering including Electrical Engineering.

Source: Directorate of Industrial Statistics, Calcutta.



DETAILS OF WAGONS (IN TERMS OF 4—WHEELERS) LOADED ON BROAD AND METRE GAUGES

(Aggregate from 1st April to 31st January, 1958)

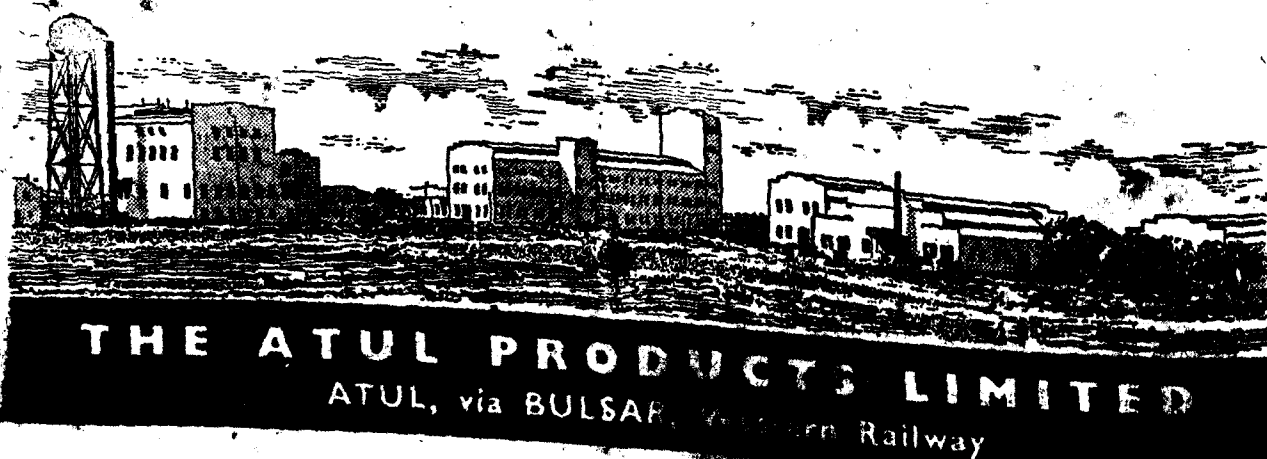
Items	1956-57	1957-58	Increase (+) or De- crease (—) in 1957-58 over 1956-57 Percentage	Items	1956-57	1957-58	Increase (+) or De- crease (—) in 1957-58 over 1956-57 Percentage
BROAD GAUGE				METRE GAUGE			
Revenue Earning Traffic				Revenue Earning Traffic			
1. Coal and coke—				1. Coal and coke—			
(a) For public	849,786	883,810	+4.00	(a) For public	180,529	206,089	+14.2
(b) For non-Government Railways	2,224	2,520	+13.3	(b) For non-Government Railways	—	6	—
2. Grains and pulses	293,732	352,154	+19.9	2. Grains and pulses	249,793	334,140	+33.8
3. Oilseeds	55,726	54,050	—3.01	3. Oilseeds	66,952	65,971	—1.47
4(a) Cotton raw	31,250	28,677	—8.23	4(a) Cotton raw	21,899	22,214	+1.44
(b) Cotton manufactured	18,714	17,702	—5.41	(b) Cotton manufactured	9,791	9,093	—7.13
5(a) Jute raw	60,195	62,348	+3.58	5(a) Jute raw	51,327	60,815	+18.5
(b) Jute manufactured	7,747	7,254	—6.36	(b) Jute manufactured	4,991	6,207	+24.4
6(a) Sugar	45,703	53,835	+17.8	6(a) Sugar	58,758	69,018	+17.5
(b) Sugarcane	66,900	59,014	—11.8	(b) Sugarcane	148,120	143,486	—3.13
7. Cement	132,436	153,493	+15.9	7. Cement	86,615	106,074	+22.5
8. Iron and steel				8. Iron and steel			
(a) Pig-iron	9,960	12,127	+21.8	(a) Pig-iron	5,344	8,039	+50.4
(b) Others	143,802	178,370	+24.0	(b) Others	30,876	37,154	+20.3
9. Tea	13,533	11,069	—18.2	9. Tea	22,414	22,555	+0.63
10. Metallic ores—				10. Metallic ores—			
(a) Manganese ore	63,107	71,053	+12.6	(a) Manganese ore	17,926	19,202	+7.12
(b) Iron ore	160,576	177,981	+10.8	(b) Iron ore	30,066	36,286	+20.7
(c) Others	14,849	14,065	—5.28	(c) Others	6,902	13,748	+99.2
11. Miscellaneous full wagons	1,314,839	1,338,036	+1.76	11. Miscellaneous full wagons	1,028,519	1,093,301	+6.30
12. Miscellaneous smalls	354,607	334,328	—5.72	12. Miscellaneous smalls	283,652	247,825	—12.6
NON-REVENUE TRAFFIC				NON-REVENUE TRAFFIC			
13. Railway coal and materials				13. Railway coal and materials—			
(a) Coal for home line	213,272	220,750	+3.51	(a) Coal for home line	158,609	195,181	+23.1
(b) Coal for other Govt. Railways and manu- facturing units	279,714	315,865	+12.9	(b) Coal for other Govt. Railways and manu- facturing units	6,163	13,091	+112.4
(c) Other stores	142,097	158,666	+11.7	(c) Other stores	89,359	90,085	+0.81
TOTAL	4,274,769	4,507,167	+5.44	TOTAL	2,558,605	2,799,578	+9.42

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Printed and Published by Devi Prasad Sharma at the Hindustan Times Press,
for "The Eastern Economist" Ltd., 52, Jan Path, New Delhi. Editor:—E. P. W. Costa, M. A. (Oxon.)

With a Supplement
on
THE INDIAN SUGAR INDUSTRY

The Eastern Economist

VOL. XXX. NO. 18.

NEW DELHI: MAY 2, 1958.

PRICE Rs. 1.50

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His Finest Hour

THE meeting at New Delhi of the Congress Parliamentary Party on Thursday evening this week might well be said to have contained Jawaharlal Nehru's finest hour. Against an adulatory resolution ending with the sentence, "The Party categorically refuses to contemplate any period devoid of his continued leadership which, in its considered opinion, is of paramount importance in the context of the varied and complicated problems facing the nation and the serious and difficult problems facing the world", the Prime Minister rose to the full height of his stature. He rebuked the Party for trying by the trite instrument of a vote of confidence to bypass the crisis in Indian public life. He asserted that the retention of office and his continued leadership was no answer to the problems facing the country. He did not know the way out; the more was the reason for him to think his way through the impossible as a private citizen. There must be few records of a man stepping down from the highest pinnacles of power to answer the incessant calls of his own conscience. We should be proud that, in India at least, absolute power has failed to corrupt absolutely.

By his sacrifice before Independence no less than by his passionate dedication thereafter, Jawaharlal Nehru stands incomparably above every leader of the Indian Union. His incorruptibility, his unselfish idealism, his grand tolerance, his vision of a united India untrammelled by creed or caste have combined to give him a place, even amongst those who disagree with his policies, which is, for all time, unique. In that sense he is irreplaceable. But this is only the sense in which the human heart tends always to be exclusive, cherishing one person, even it may be of very human mould, above all the rest. No nation, and in particular no democratic nation, can afford to chain its heart so recklessly to mortal things. All our deepest loyalties are contained by the fact that the survival of a nation must go far beyond the passionate emotions which we accord to those who have uplifted our minds and unerringly touched our hearts. Today we are slowly, all too slowly, beginning to realise that to think of India without Jawaharlal is not merely worldly wise; it is a hard, but inevitable, duty.

The sources of the crisis in Congress leadership are manifold. For one thing, the Revolution is slowly dying, and with it the reverence given, ipso facto, to its outstanding exponent. Secondly, the challenge of Independence was different in kind from that of the Gandhian Age. The raising

of the standard of living of the Indian people is a goal more difficult to shape; it needs a far greater range of instruments of action than the Indian scene has provided. Mahatma Gandhi, dealing with the problems posed by political freedom, could think and act in concrete terms. He also awakened, by the measure of his greatness, the active agents for liberation of the Indian mind, forcibly enough to impress withdrawal on a foreign power. Political freedom in India thus emerged in a sense out of an act of foreign negation. After Independence, the Revolution had necessarily to take on a far more positive role. In part, this role was made too positive by Jawaharlal himself, by proclaiming, long before the tools had been created, that a stipulated rate of economic progress would be obtained. The means he chose, of a vague expansion of the public sector in a strong welfare current, were not entirely suited to the goal of production, without which the higher standard of living could not be attained. In any case there has been a gulf between the ideal and the capacity of the instruments it has at its command to ensure its fulfilment. The vacuum which the Prime Minister feels is partly of his own making both in the sense that his ideals are unnecessarily high, at least in the short period, and his chosen instruments are unnecessarily weak. Political freedom, for all its glory and glamour, was a far simpler process than the goal of economic viability with rapidly advancing standards of living for all. It is not a major criticism of Jawaharlal Nehru that, with his ideals unfulfilled, he now chooses to withdraw from a position of executive leadership for one in which, conceivably, he might give his concept better form and shape. That it needs this better form and shape, particularly in the context of the intrinsic opposition it is meeting inside the Congress Party, cannot be doubted.

The excessive haste with which Jawaharlal Nehru pursues the fulfilment of his ideals is in part the result of the meagre span allotted to mortal men. Today, at the age of 69, in spite of good health, he faces a comparatively short period within which to give himself a feeling of satisfying success. If he finds himself out of tune with public life, it is both because his ideals have been too high, and his aims too exacting for men less imbued with grand vision and an acute sense of the shortage of time. In demanding from the

The Hesitant Heretic

THE refusal of the Communist parties of Russia and some of the People's Democracies of Eastern Europe to send fraternal delegations to the 7th Congress of the Yugoslav League of Communists has been answered by Marshal Tito. He has accused "certain comrades abroad" of showing "short-sightedness and tactlessness" towards Yugoslavia in attempting to undermine its political unity, and warned them that "their way" was not the proper one for improving relations between the Communist countries. The "unfavourable and incorrect writing in the Press and unfair talk" about Yugoslavia in some Socialist countries, he said, did not "offer any optimistic prospects for friendly relation in future". He advised these "certain comrades" to abandon finally any hope that Yugoslavia would change its policies: "This hope", he asserted, "is only a waste of time and is harmful for all of us." In an obvious reference to recent Soviet criticism of Yugoslavia, that it did not believe in "proletarian internationalism" and "bowed to the imperialists to obtain a few

Congress Party a sense of dedication far greater than this nation can exercise over the long period, he appears to be basing himself on a Gandhian theme, but is in fact asking men in power to behave as though they were in the wilderness. If history has any lesson to teach us, it is to the effect that a political party with power cannot possibly have the dedication of a political party without it. Dedication with power and without corruption is the mark of greatness; that mark must be acutely scarce.

The rift in the Congress, which has been created by those loyal beyond reason to a personality as against principles, will be difficult to close. The more conservative elements in the Congress taking power in New Delhi will certainly stabilize themselves in power, if Jawaharlal should not return to office. In theory, the shift is large. In practice, it must be small. There are limits to which a movement to the Right is either possible or desirable. The manifesto of the Congress, on which it came to power in the 1957 elections, is still based on the socialistic pattern of society, and it would be unwise, as it would be politically dishonest, for a wholesale departure to be made from the basic principles of that manifesto. On the other hand, it is obvious that the instruments have to be created in the next four or five years to make an economic and social revolution possible in a reasonable time.

As the sun goes down on the Indian Revolution, one must recognise that we, who have lived in its effulgence, have been borne on a rudder and compass which was in fact Jawaharlal Nehru's and not our own. While the compass is there, it matters little whether its power of control is exercised from outside the range of office and the glamour that office confers. But the unity of India still depends largely upon the emotional integration of the Indian people with Jawaharlal Nehru. It is all-too-easy for his successors to think in provincial terms; against this they must guard themselves. They are now charged with Jawaharlal's standards, frequently beyond their own. India's unity is not so firmly made that one can look lightly on the prospect that now faces us. But at the great moments of history, of which this is one, men are not given their own choice. The die is cast; it is now for us to show that it is not true that men learn from history that men learn nothing from history.

rotten things", Marshal Tito remarked that its "internationalism" is not conditioned by adherence to the Soviet Union, but to the Socialist world in the broad sense." As if to needle the Kremlin leaders, he thanked the United States for economic aid to Yugoslavia after its break with Russia in 1948.

It is not easy to pinpoint the immediate cause of the new coldness between Marshal Tito and the men in the Kremlin. Since Stalin's death, Russia and its satellites had given the world the impression that Yugoslavia had returned to the "family". In 1955, Mr. Khrushchev had himself gone to Belgrade—in sackcloth and ashes, as it were—and assured Marshal Tito that he had always scrupulously struck to Marxist principles and practice, and that it had been Stalin who violated them. Moreover, to propitiate Marshal Tito the Kremlin also rehabilitated those Communist leaders in the People's Democracies who had been accused of "Titoism" and degraded by Stalin. Even the heretical concept of "different roads to

socialism" was accepted at the 20th Congress of the Communist Party of the Soviet Union. Marshal Tito had himself also been on his best behaviour since then—best from the Kremlin's point of view. He fraternized with his erstwhile vilifiers forgetting all the slander and calumny of seven-year-long ideological feuds. This new-fangled camaraderie was not strained even by the tragic happenings in Hungary, though it unmistakably demonstrated that Mr. Khrushchev's "different roads to socialism" could not be taken any more seriously than Mr. Mao Tse-tung's "hundred flowers". But Marshal Tito lent his support to the Soviet armed intervention in Hungary with only minor reservations.

The present rift may, against this background, be the result of Mr. Khrushchev's emergence to a position of unchallenged supremacy in Russia; possibly, he does not consider it necessary any more to veil his dreams of world dominance. He is probably not now prepared either to forgive or to forget Yugoslavia's refusal to sign the declaration made in Moscow by twelve Communist parties to revive the Cominform. The boycott of the Congress of Yugoslavia's League of Communists by the Communist parties of Russia and its satellites is, thus, an attempt to exercise the ghost of revisionism. It is very doubtful if the attempt can succeed. Mr. Khrushchev's own attempt to revise many of the old orthodoxies to suit his convenience and the needs of his country, and the emergence of Peking and Belgrade as rivals claiming to be the true interpreters of Marxism, would

probably not permit Moscow to have its own way.

It would also perhaps be too much to expect from Yugoslavia immediately to break away from Russia. In spite of his professions of independence, Marshal Tito would not, it seems certain precipitate such a crisis. It is more profitable for him to move between the Power blocs—at least according to him. The tone of his speech, the generous praise of the post-Stalin Russia and its foreign policy, the amendment of the Yugoslav party's programme to meet Soviet objections on the question of and attitude to the Power blocs, the postponement of the voting on the final day to after the reactions from Moscow were known, the assurance to remove difficulties arising in the co-operation of Communist and workers' parties of Socialist countries, and reiteration of the principle of "proletarian internationalism"—all this reinforces the belief that Marshal Tito is not yet prepared to break finally with the Russian empire. Perhaps this is natural. He is nearer to the Soviet Union ideologically than he is to the West; he believes in the same doctrine, of Marxism, and is professedly building the same system of socialism. He also firmly believes in the solidarity of the Communist countries both in their national interest and in the interest of international Communism. What he wants is the unhindered right to interpret the Marxist doctrine as each nation thinks proper and build socialism as it thinks fit. It would be, therefore, incorrect to expect Marshal Tito either to desert completely the Communist bloc or to join unreservedly the free world.

A Constructive Report

NO more constructive report has come out of a Lok Sabha Committee in recent months than the one dealing with the functions and organisational set-up of the Planning Commission. There is no carping or devastating criticism here, yet it is reasonably critical to permit of a remedial approach. The defects, organisational or acquired, in the set-up of the Commission are easily pin-pointed by the Committee. Perhaps these defects are, in some measure, responsible for not shaping the Commission into an efficacious instrument for perspective planning. The Estimates Committee is entirely in the right where it says that "unless the long-range objectives are well settled, short-term planning cannot be meaningful" and that "the planners would have to think of at least a 25-year period and practicable limits to the growth of the economy during this period."

The original organisational defects which have rendered the Commission somewhat inefficient as a planning body are manifold. Firstly, the Commission has not had, since its inception, a whole-time Secretary who alone could have given adequate attention to organising its activities efficiently and well. Secondly, there has been the anomalous position of the *de facto* member of the Commission who, it may be recalled, had much to do with the formulation of the second Plan without being a whole-time *de jure* member. Above all, a number of officers belonging also as *de facto* members have been functioning as important Divisions in the Commission with the result that inefficiency has set in in the work of the planning body. These defects are remediable, and the Estimates Committee has therefore done well to recommend the appointment of a whole-time Secretary for the Commission, the elimination of *de facto* membership and the recruitment of full-

time officers who would be free from the burden of day-to-day administration.

The acquired defects are also remediable, though not so easily as the original organisational ones, for they have stemmed from an all-too-natural human tendency to wrest power from other hands. In this case, the Planning Commission, instead of functioning as a purely advisory and planning body and co-ordinating its activities with the administrative Ministries, has arrogated to itself powers which did not originally belong to it "as an organisation free from the burden of day-to-day administration but in constant touch with the Government at the highest policy level." The general impression that the Planning Commission, though not a part of the ordinary machinery of the Government of India, has in practice become a sort of super-authority deciding every programme of work is not wholly unwarranted.

At least five later practices have lent some substance to this impression. One is that with the inclusion of a number of Cabinet Ministers, besides the Prime Minister, the proposals made by the Commission are more than advice and amount, not unoften, to final decisions binding on the Ministries concerned. The other is the role the Commission has come to play in the annual and periodical allotment of finances to the State Governments and the Central Ministries. A third practice has been to get the State Governments to approach the Commission, not the Union Ministries concerned, for approval of their schemes for Central assistance. Fourthly, the Commission has had in practice a major say in pruning various proposals from the States. And lastly, the Commission has evolved the practice of scrutinising all legislative or other proposals received from States in the matter of land reforms and the like

although they may have no direct bearing on the Plan as such or on future planning.

These practices, it would appear, have been responsible for a battle of wits between a Planning Commission exercising powers which did not properly belong to it and a Finance Ministry which alone, in the last analysis, has always been deciding the scale of expenditure of every individual Ministry. In a way the Estimates Committee's report reflects both sides of this continuing tug-of-war. It looks as though the administrative Ministries and, in the ultimate analysis, the Finance Ministry have formally won the first round with the latter having in its own quiet and unobtrusive way modified, pruned or rephased the second Plan since the Bud-

get of 1957-58 in the light of its own assessment of currently or potentially available resources. The Planning Commission may continue to swear by the nominal size of the Plan or may come down to recognise realities, but the real power to determine its ultimate size and character appears to be more or less secure now in the hands of the Finance Ministry. The rest is only a matter of formal divestment of the Planning Commission's newly-acquired powers, and the Estimates Committee's other recommendations to do away with the five listed practices in a way that will be conducive to consultation and co-ordination between the Commission and the administrative Ministries, constitute a golden mean and thus an eminently constructive resolution of a hitherto hushed conflict.

The Textile Crisis

CONTRARY to expectations the cotton textile crisis persists. That reduction in the cotton excise duty of the order of Rs. 15 crores should not have provided a solvent indicates that the pressure of taxation was only one of the ills to which the industry was subject. It is coming more to be realised that the character of the cotton crisis has been only superficially analysed in terms of the price structure inclusive of taxation. The difficulties are now seen to have a qualitative aspect, which is related far more to the changed character of demand than to almost any other factor. Mr. E. J. M. Leigh, Chairman of the Bangalore Woollen, Cotton and Silk Mills, drew attention particularly to the over-production of certain types of cloth. He said, "Painful corrective forces are already in operation and milt output in the first quarter of 1958 fell by 132 millions. The industry can help itself by improved market research and by restricting production of particular types to quantities that the market can be expected to absorb. There has undoubtedly been a shift towards the coarse end of the trade and serious overproduction in certain items, notably coarse dhoties and sarees. According to Press reports the production of these two items rose from 9 and 2 million yards in 1955 and 44 and 27 million in 1956, to the astonishing figures of 172 and 200 million yards respectively in 1957".

The solution which now seems necessary has thus been outlined by Mr. Leigh. "This Industry can help itself by improved market research and by restricting production of particular types of quantities that the market can be expected to absorb." It seems amazing that an error should have been made in an industry which has a hundred years of domestic consumption experience on which to arrange its production schedules. Nevertheless, this seems to have been a fact and the crisis is the more obstinate because the error has a powerful regional component.

It is no doubt true that originally the blame could be laid at the door of the Government for its misconceived tax policy, but it is essential to recognize that a major error in the private sector has kept the crisis going. It is vital that an analysis should take place both on a regional and maybe on a factory basis to bring production and consumption into line.

The crisis in Kanpur has unquestionably taken an acute turn. The statistical position, as officially assessed, shows that the accumulation of stocks with the mills has risen as high as 71,856 bales of cloth and 5,000 bales of yarn. This is equivalent of anything like the production of 6 to 8 months, involving an outlay of about Rs. 6.25 crores. One mill has been closed down for several weeks, a

second one threatens to follow suit, while most of them are running shorter hours. It is quite likely that the closure of the third shift will become unavoidable in the very near future. What is at stake here is not only keeping the industry on a basis of reasonable operation but saving a good proportion of the 45,000 strong labour force from the grim prospect of unemployment. It is not suggested at all that a quick antidote is ready at hand. The malady of the Kanpur textile industry goes much deeper than overproduction of coarse varieties of cloth. The industry in Kanpur is particularly subject to heavy and rigid costs which have become imperative due to high outlays on labour, raw cotton, transport and electricity. Considerable working capital is locked up in cotton stocks over far longer periods than is the case with mills in other parts of the country. Above all, the machinery and equipment are worn out. Meantime, the moderate scheme of rationalisation which was evolved on the basis of a tripartite agreement more than two years ago with an implicit condition that no retrenchment of existing labour would be required has been obstructed by obstinate attitudes of trade union leadership. The long-term cure for the ills of Kanpur's textile mills cannot be postponed much further.

The Madras State represents the pattern of the textile industry where the yarn manufacturing centre is quite predominant. This sector depends on the handloom industry, export to other States and, above all, exports abroad. It is highly susceptible to repeated phases of depression. The ban on overseas exports and the stagnation in the handloom industry have created, in turn, a stalemate in the yarn sector. Action has been taken in Madras State with the help of the Central Government. The additional rebate of one anna in the rupee on handloom cloth, which is to remain in force for two months from April 11, and the permission now granted for exports of yarn abroad for a period of three years, are remedies which should give timely relief. But it is problematical whether handloom production will look up after the extra rebate is withdrawn. And finding a stable market for export of yarn is a function of time.

A last point needs to be made. Even when the correctives indicated are applied it is to be noticed that the Ambar Charkha philosophy which assumed that this industry could sustain inefficient methods of production was based on a deep misreading of current consumption. It would appear that the textile target for the second Five-Year Plan is in need of immediate revision, since there is no immediate proof that 8,000 million yards is an appropriate figure for 1961.

in a valley called Joda

Amid the silence of the Joda hills in the Keonjhar district of Orissa, a Rs. 17.5 million plant has gone into operation to produce ferro-manganese—a vital requirement in steel-making.

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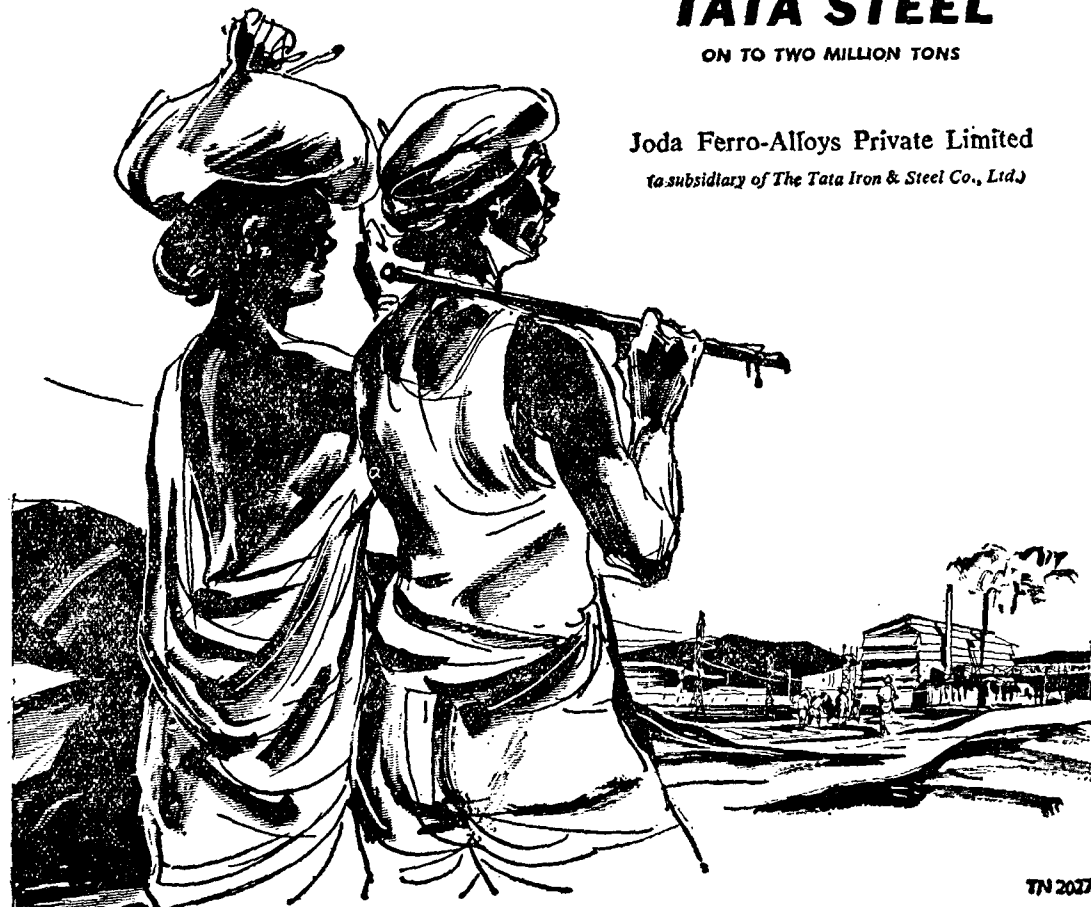
This plant has been speeded to completion eight months ahead of schedule, thanks to the invaluable assistance received from the State Government, the Hirakud Dam project and the Railways.

Life in the little-known village of Joda has turned a new chapter, reflecting the increasing importance of ferro-manganese as India strives towards a four-fold increase in steel capacity.

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THE WEEK'S NOTES

A HALF-WAY HOUSE

A NEW opposition party, known as the United Socialist Party has been formed in the Lok Sabha under the leadership of Acharya J. B. Kripalani, the Praja-Socialist leader. About 40 members belonging to the Praja-Socialist Party, the Gantantra Parishad and the United Progressive Parliamentary Group have so far joined the new party. This is the outcome of the talks between the spokesmen of various groups believing in democratic socialism that had been going on for about a year. The United Socialist Party will not be treated as the official opposition, as it does not enjoy the requisite support of 50 members in the Lok Sabha. It will, however, replace the Communists as the main opposition group in Parliament, thus incidentally denying them the opportunity to masquerade as the alter-native to the ruling Congress party. With a little planning and a wise choice of speakers, the members of the new party may avoid rambling and repetitive attacks on the Government and make informed speeches, stressing the more relevant aspects of the issues under debate.

It would be, however, wrong to expect the United Socialist Party to fulfil the need of a strong democratic opposition so necessary for the successful functioning of parliamentary form of government. The new opposition party does not fulfil the requirements of a political party. It has come into being not as a result of general elections on issues clearly explained to the electorate. On the contrary, its constituent units were so fiercely divided that they failed to combine for fighting the last elections despite the sincere efforts of a few farsighted opposition leaders. What is worse, there is apparently little unity of thought or action among them. The only common attribute of its members has been their position in Parliament. All of them have been occupying seats to the left of the Speaker. Doubtless, all of them also profess socialism. But now when even the ruling party prefers to worship at that shrine, Socialism is by no means a matter of distinction or a factor of cohesion. At best the United Socialist Party is a half-way house towards a genuine opposition party. Its members can do much to educate public opinion by reasonable argument and well-founded criticism of the ruling party.

DEVELOPMENT OF TOURISM

THE CAUSE of tourism would be considerably advanced if efforts are made to carry out at least some of the sensible recommendations of the convention of the Travel Agents Association of India which met in Simla during the last week-end. Both Government and the travel agents, (who it would appear are responsible for the handling of about 90 per cent of the foreign tourists) agree that no effort should be spared to promote tourism. Especially as a foreign exchange earner, it is recognized that foreign tourism has immense potentialities. From the latest figures available, the number of foreign tourists in 1956 is stated to be 68,880 earning for the country foreign exchange of Rs. 15.54 crores. This is not insignificant though it indicates the possibilities that lie ahead compared to that country totalled in 1947, foreign tourists to the country £33 million in foreign currency. The figures for 1957 are 1,180,000 and £180 million which tell their own tale.

It is undeniable that just as in other countries, there is considerable awakening here also of the need for developing tourism to a greater extent. But this laudable aim will not be achieved merely by publicising the several attractions that the country holds for the

foreigner. It cannot be ignored that in any organised campaign of tourism, what counts is proper catering to the comforts and conveniences of the tourist. Proper travel facilities, good food, facilities for recreation—these are some of the inevitable adjuncts that require careful planning. For example, there would be little pleasure in going to see a place if adequate boarding and lodging facilities are not available. This means, as the Simla convention has urged, there is need for construction of new hotels and improving the existing ones and equipping them properly. Here, it can also be seen that there is no need for any rigid adherence to some of our puritanic notions and much will be gained by doing away with what, for example, the convention has pointed out as the 'irksome formalities' under Prohibition. After all the tourist cannot always be filled with the majesty of the Bhakra Nangal or the magnificence of the Taj and undoubtedly his enthusiasm for these should be supplemented by some at least of the recreational facilities. Again with regard to travelling facilities, apart from providing competent guides, there is a case for removing some of the impediments like the multiplicity of permits and high taxes on inter-State movement.

STEADY PROGRESS AT BHADRAVATI

AMONG the main indicators of any country's stage of industrial development, the iron and steel industry undoubtedly occupies the first place. The tempo of industrialisation, in fact the growth of the entire economy, of a country depends largely on the growth of this vital industry, which has been rightly called the mother of industries. Hence the necessity for expansion in this country also of this industry, which will serve as the base for the superstructure of Industrial India. This also explains why the framers of the second Five-Year Plan have given the pride of place to this industry. Among those who realised the significance of steel for the country's industrial development in the pre-independence days were Jamshedji Tata, the father of industrial India, in the then British India, and Bharata Ratna (Dr.) Mokshagundam Visvesvaraya, the celebrated Engineer-statesman in an Indian State, viz., Mysore. If Mr Tata established the Tata Iron and Steel Co. in the private sector more than half a century ago, Dr. Visvesvaraya formulated the scheme for the establishment of the "Mysore Wood Distillation and Iron Works" as early as 1916. Very naturally, and quite appropriately too, the first thoughts of all those present at Bhadravati last Sunday, where Mr. Swaran Singh, Union Minister for Steel, Mines and Fuel, inaugurated the Mysore Government's spun pipe plant at the Mysore Iron and Steel Works, were of these two stalwart steel visionaries.

The Bhadravati Steel Works—the only concern in India to produce charcoal pig-iron, which once commanded a special price in the USA—has been progressing steadily since January 18, 1923, when actual production commenced. The progress has been particularly marked since the close of the Second World War, when various schemes for expanding the manufacture of pig-iron, steel and cement were launched. Some of the schemes have been implemented only in part, but even what has been done has resulted in an increase in production. Thus, pig-iron production, to take one instance, has increased from 23,000 tons to 85,000 tons per annum. Both the Five-Year Plans have provided for the considerable development of the Bhadravati Iron Works, which may be expected greatly to help quicken the pace of industrialisation in the South, even though, in the total picture of India's steel plan, its significance may be modest. It has often been complained that the economics of this unit presents a special problem, because it uses costly electric furnaces. It

is to be hoped that the authorities would bestow especial attention to this question as also to the task of achieving the target, which has been fixed at 10,000 tons for ingot steel by 1960, according to schedule. So far only about 35 per cent of the finished steel target and 52 per cent of the pig-iron target has been achieved. However, the completion of the first stage in the expansion of the Works, for which a total of Rs. 6 crores has been earmarked in the second Five-Year Plan, augurs well for the future development. Only if—and this is a big 'if'—all the three major projects in the public sector—Bhilai, Rourkela and Durgapur—along, with Bhadravati, make progress according to schedule, can it be expected that India's position regarding pig-iron supplies would ease and enable her to export some of this to earn the much needed foreign exchange.

WEST INDIES FEDERATION

PRINCESS MARGARET officially opened last week the first Parliament of the new Federation of the West Indies. The Federation merges 10 island colonies in the Caribbean into a new nation of the Commonwealth. The bulk of the three million population of the federation is African in origin, but the presence of Englishmen and Indians and persons of mixed descent, makes this an experiment in racial democracy. The Federation has a bicameral legislature: the House of Representatives has an elected membership of 45 and the Senate a membership of 19 nominated by the Governor-General on a territorial basis. In the recent elections which paved the way for the Federation, the Federal Labour Party headed by Sir Grantly Adams, formerly the Chief Minister of Barbados, won the elections by only three seats. It has hold over the small islands. The opposition, which is led by Mr. Gomes, formerly Chief Minister of Trinidad, enjoys support in the bigger islands.

The West Indies Federation is not, on the whole, rich in natural resources, but certain areas are more fortunate than others. Trinidad, for instance, is the third largest producer of oil in the Commonwealth. Asphalt and bauxite has recently been developed with marked success in Jamaica. Sugar and bananas, too, form important export items. Grenada is the world's largest exporter of nutmeg. It was forecast in 1952 that the industrial output of the West Indies would double within 10 years. This increase in productivity is, however, likely to be negated by the rapid growth in population. The birth rate for the area is very high. It is estimated that its population may have doubled in 30 years' time. Moreover, skilled labour is scarce, productivity per man hour is low and capital is scanty. Fortunately, Britain will continue its grants to the smaller islands till 1968 and the whole area benefits from the Colonial Welfare Development Fund. Nevertheless, realization of the limited extent to which the Federation can rely on Britain financially has made the West Indies Government turn to private investment from North America. Already such investments from the United States and Canada are considerable, particularly in bauxite, oil and tourist industries.

India has special reasons to be happy over the birth of the West Indies Federation. For one thing, this is a step towards final emergence to nationhood of these colonial islands. Secondly, there is a fairly large Indian immigrant population in islands like Trinidad. But more important is the fact that the Federation will be an experiment in a multi-racial democracy like the one carried on in India herself.

AN OBVIOUS CONTRADICTION

ONE IS at a loss to know which of the two latest interpretations about the provisions of the Finance Bill regarding the development rebate is to be accepted—the one released by the Press Information Bureau on April 23, or the one given by Mr. B. Gopala Reddi, Minister of State when he moved the Finance Bill as passed by the Lok Sabha for consideration in the Rajya Sabha on April 26. There is a clear conflict between the two interpretations in regard to the amount of development rebate to be claimed by a company in a year in which new machinery is installed when the profits fall short of the admissible development rebate in full. Whereas the Press Information Bureau release has categorically stated that "the amount of the claim will not be at the discretion of the company, but will be on its actual profits each year" and that "every year, it will be required to pay development rebate 'up to the amount of profit earned in that year'; Mr. Gopala Reddi has observed, "If the amount of such expenditure (expenditure on installing new machinery) is, say, one crore of rupees, the full development rebate admissible will be Rs. 25 lakhs. However, as the net profits are only Rs. 20 lakhs the rebate will be limited to the amount of Rs. 20 lakhs and the taxable income will be determined as nil. The amount to be credited to reserve will be three-fourths of rupees 20 lakhs, i.e., Rs. 15 lakhs". It is, therefore, for the authorities to clarify immediately which of these two interpretations is binding on companies.

AFRICA AWAKENED

LAST WEEK two major developments took place in Africa: a conference of the eight free governments in Africa at Accra, the capital of Ghana, and the return of the 'Apartheid'-ists to power in South Africa. While the former symbolizes the awakening of African consciousness, the latter represents a desperate effort at consolidation of white colonialism and racialism. As was to be expected, the continued subjugation of Algeria, the problems of dependent African countries and racial discrimination dominated the deliberations of the Accra Conference, which unreservedly condemned the Power responsible for perpetuating them.

Some quarters have seen the Soviet hand behind the Accra Conference. But even conceding that Soviet influence probably worked at the conference, it is difficult to label its decisions as Moscow inspired. It is no use ignoring that seven out of the eight countries attending the conference—Ethiopia, Ghana, Liberia, Libya, Morocco, the Sudan, Tunisia—are pro-West; the eighth—the United Arab Republic—can at worst be described as neutral.

The federal elections in South Africa, the results of which were declared during the deliberations of the Accra conference offer a counterpoint to this development. The Federal Labour Party, which believes in perpetuating discrimination against the very people to whom the country belongs, is back into power. It is obvious that whatever Dr. Strijdom and his 'Apartheid' party may do, they cannot perpetuate white supremacy over Africans whose national sentiment has been roused to the highest pitch. The world is after all progressing towards equality and freedom. The national aspirations of the Africans cannot be denied for long. It is in the interest of the white settlers in Africa to accept the Accra conference's suggestion to fix a definite date for ending colonialism and racialism in Africa. Besides reducing antagonism between the white settlers and the sons of the soil, this should help protect the rights of the former for the future.

A Window on the World

INFLATION DECREASES PRODUCTION

By
ODYSSEUS

SHOULD INFLATION in the UK be halted by a high bank rate, which is criticised for curbing production? Or should it be halted by expanding production? This is the question over which a battle royal is being waged between Her Majesty's government and Her Majesty's Loyal Opposition.

Among the economists who have thrown light on this problem have been Professor Lionel Robbins, with an admirable survey, "Thoughts on the Crisis", in Lloyds Bank Review (71 Lombard St., London. EC. 3.) for April, and Professor F.W. Paish, with a penetrating and original analysis, "Progress, Prices, and the Pound" in the "District Bank Review" (Spring Gardens, Manchester) for March. It would be unfair to these distinguished economists to say that what follows is a summary of their views. It would be better described as an interpretation inspired by their views.

"Full employment" is the professed policy of every government in the world nowadays but, unless it is defined, full employment remains a parrot phrase. It cannot mean 100 per cent employment, for this is unobtainable except by compulsion and direction, as in Soviet Russia, and even there it must include some concealed unemployment. Even at the height of the war, with labour desperately scarce and with a good deal of compulsion available, the proportion of the civilian labour force actually employed in the UK never exceeded 99.5 per cent. We therefore need some other criterion of an optimum level of employment.

Professor F. W. Paish suggests two: employment (1) at a level which is consistent with the maximum amount of production in the current year, and (2) at a level which is consistent with the maximum long-run rate of growth of output.

INFLATION CAUSES INEFFICIENCY

If a cheap money policy is followed which creates a demand for goods and services, and thereby for labour, on such a scale as to force employment above a certain level (which in the UK is a very high one), you risk that more projects will be started than there exist resources to complete, and that because of bottle necks, some of the resources will either be wasted altogether, or locked up for long periods in uncompleted forms. Grossly excessive demand usually causes loss of care and efficiency, increased absenteeism, a high rate of labour turnover, and other difficulties often discussed in this column which many people regard (rightly) as the high temple of the cult of anti-inflationism—which, please note, is not to be confused for one moment with the temple of deflation. We are not deflationists simply because we are against inflation—a point emphasised by Professor Robbins. In such circumstances, a reduction in the pressure of excessive demand (as Professor Paish coyly describes inflation, evidently a "non-U" word), while probably causing some slight increase in transitional unemployment, will also induce such an increase in efficiency in the use of resources that total production rises.

On the other hand, a preferable definition of full employment is: That level of employment which is consistent with securing, not the maximum rate of current output, but the maximum long-run rate of

growth of output. This is the policy which has been followed with such outstanding success in Germany (where between 1950 and 1957 output per head rose by nearly 60 per cent) that the whole of the Left, from Comrade Kingsley Martin downwards, conspires to ignore or to pooh-pooh it.

This level of employment is likely to be below that at which current output is at its maximum. One possible reason for this is, as occurred in the UK in 1952, when a sharp rise in personal saving led to (1) a fall in demand for some types of durable consumer's goods, (2) a fall in current output of manufactures, and (3) an appreciable rise in unemployment. The rise in saving, however, led in due course to a rise in fixed investment, first in housebuilding and later in industry. Since the rate of growth of output depends, among other factors, on the volume of new investment, we can expect that the drop in current output will be followed in due course by a rise in the rate of growth of output.

WHAT IS YOUR OWN EXPERIENCE?

But another—fundamental—reason why a reduction in excess demand, leading to a reduction in current output, is likely to be followed by an increase in the rate of growth of output is that it intensifies competition, puts business and industrial executives on their toes, and raises the level of efficiency. To Socialists, this point of view is, of course, upside down. They believe that competition leads not to efficiency but to what they call the cutting of throats. If you are a Socialist, you hold that efficiency is promoted by nationalising an industry, so that the profit motive is eliminated and the unselfish love of the public interest that is said to be ready to burst from every individual if it is only given a chance, is allowed full play. In real life, all that nationalisation does is to establish the loss motive and enable the taxpayer to shoulder new and heavier burdens every year. Is this not your own experience?

In inflationary conditions it is easier to get by with above average costs of production, so that there may be a wide margin between the most and the least efficient. As inflation is halted, high cost firms must either raise their efficiency, i.e., seek to cut their losses and maximise their profits—a course which no Socialist dare follow—or go out of business. The margin between the least and the most efficient narrows and average efficiency rises, except in nationalised industries which are not interested in efficiency because the taxpayer is there to meet their losses.

In the course of my recent tour of industrial Scotland, I found ample evidence that, under the compulsion of the high bank rate, firms are combing their processes, methods, and personnel, in order to raise efficiency. For a time, while this process of adjustment is going on, current production may be reduced, but as it proceeds, and as resources come increasingly into the hands of the most efficient firms, the way is opened to a quickened rate of increase.

Professor Paish insists, however, that if this quickened rate of long-term growth is to be maintained, production and employment must always be kept below the level which, by enforcing a credit policy to create additional demand, could be secured in the current

May 2, 1958.

year. It is greatly to the credit of the UK government that—despite the well-nigh universal failure of the voting masses to grasp this fundamental truth, and despite the opposition's insistence on the necessity for an expansionary policy—they are resolutely adhering to their decision to enforce dear money and to restrict government expenditure to last year's level. If they eventually lose the next election because of this it will be a blow at political honesty and an encouragement to sacrifice sincerity to vote-catching expediency. If the UK government were to follow the policies advocated by Mr. Harold Wilson, the Socialist "shadow" Chancellor of the Exchequer, and, in the interests of expanding production, were to cheapen money and to step up government expenditures on the nationalised industries, inflation would reappear, and a year or two of exceptionally large increases in output would be paid for by a subsequent lower rate of growth, as the effects of decreased competition began to make themselves felt. If this policy were persisted in, the effects of inflation internally would be cumulative, while externally those wicked foreign speculators, who know no better than to sell sterling when they fear that to hold it will inflict losses on them, would begin to operate from Zurich and elsewhere.

Professor Paish points out that both the temporary check to production caused by the removal of excess

demand, and the temporary increase caused by its re-appearance, will be exaggerated in the public statistics because these cannot reflect changes in quality. This is a most interesting and original point. Statistics underestimate the effects of improvements in the design and performance of manufactured goods, so that, in the long-run, the rise in production is greater than is shown. This tendency to underestimate may be more than offset in periods of increasing inflation because the rise in prices may occur partly in the form of falls in quality, especially in durability and reliability. It is probable that even more important than the fall in the quality of the goods in the fall in the quality of the services that accompany them. Long and unkept delivery dates, inadequate information, dilatory correspondence, difficulties about spares and repairs, and even failures in politeness ("I couldn't care less. If you don't like these goods, I've got other customers who are after them") are but some of the many reductions in quality during inflationary periods which do not offset in the official statistics the rise in the number of physical units produced. Similarly, when inflation is halted, these statistics reflect inadequately, or not at all, the improvements in the quality of the goods and services which accompany the check to the volume of production.

We will consider the problems of inflation and inefficiency further next week.

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EUROPE'S IMPORTS IN 1975—I

(From Our Special West European Correspondent)

PARIS, April 26.

ONE of the main reasons for economic unity plans in West Europe is that intra-European trade, even without common markets and free trade areas, is increasing very fast, much faster than Europe's trade with the rest of the world. Thus between 1952 and 1957, intra-European trade increased 70 per cent while Europe's imports from the rest of the world increased by under 50 per cent. (Europe here means everything west of the iron curtain save Finland and Spain.) It is the discrepancy between these two figures that constitutes the discrepancy between these two figures that constitutes, in itself, "European unity". Complicated plans, tutes, in itself, "European unity". Complicated plans, whether dreamed up in London or Paris, come after the event and serve as useful decorations. The state of affairs people have in mind when they project such schemes is coming (and to a large extent has already come) whether or not it is legally consecrated in multilateral pacts such as the Rome treaties. The utility of such pacts is almost entirely political: they facilitate internal adjustments by strengthening the hand of progressive forces that seek to modernise national economies in order to keep up with economic events. This applies to Britain's free trade plan as much as to the Common Market: Britain is economically in West Europe whether she likes it or not, no matter if French protectionists want to pretend she is not and no matter if Fleet Street imperialists want to pretend that the Commonwealth is more valuable than the Continent.

Incidentally it is worth nothing that the degree of Europe's real economic unity is today once again what it was before the first world war, in the days of the gold standard and free convertibility. The protectionism of the 1930's broke up West Europe economically more than it restricted European nations' trade with overseas countries (thanks to imperial preference and other similar imperialist devices.) But now the tide of events has pushed Europe together again, regardless of the absence of such supposedly indispensable aids as the gold standard and currency convertibility.

So the brute fact is there: Europe is becoming increasingly united economically, and the relative importance of her trade with overseas countries (at least the non-industrialised ones) is declining. It is only now that this trend is to be recognised in the form of written treaties that the non-European countries are wondering what is going to happen to their trade with Europe. They have left it a bit late to think of this problem. And even now they are extraordinarily ready to be fobbed off with vague generalities, such as this one: "Increased intra-European trade will mean more activity in Europe and hence bigger imports from overseas, so overseas countries have nothing to fear, nothing to lose". Anyone who swallows this would get ploughed in first-year logic. The premiss is the brute fact that Europe's trade with itself (and with one or two other equally industrialised nations) is increasing much more rapidly than its trade with the backward countries. The inference is that the gap between the first group and the second is widening. This being true, it is no consolation to countries such as India to be told that as Europe progresses they will indeed sell a few more jute bags, if the widening European market is meanwhile becoming a relatively more and more closed system. The problem, in other words, is about relative pro-

portions, and it is no answer to say that certain countries will, if they try hard, achieve a small absolute increase in their trade with Europe.

The same situation is more easily grasped in terms of currencies. After the war, the great divide between hard and soft currencies left the US dollar in splendid isolation on one side and all the rest on the other side. The shift in world trade that we are speaking of will, within a decade or so, group together as hard currencies the dollar, all European moneys and the national currencies of a small group of backward countries that export petrol and certain minerals, left in the group of soft currencies will be all the countries that export mainly agricultural produce, unfinished goods and all primary produce except petrol and certain minerals. The gap between these two groups will be as wide and as serious as ever the dollar gap was. The economic expansion and increased cohesion of West Europe, which will have produced this situation, will have done nothing to lessen the gap between the prosperous and backward countries, though it will have significantly re-defined these groups. This is the problem that is worrying those Asian, African and Latin American countries that are concerned about the consequences of European unity for world trade; it is no reply to them to say that their exports to Europe may well go on rising in absolute terms. Afghanistan's exports to the West rose in absolute terms throughout the last century.

The impact of European expansion on world trade is infinitely more important than the economic progress of the USA or Russia, because this region plays a much greater role in that trade. Even today Europe's imports from the rest of the world are twice as big as America's. To date Europe's imports from the rest of the world have increased more quickly than European production (hence the dollar gap and other currency difficulties). But now European production (after the temporary pause of 1958) promises to continue expanding rapidly but it is only her imports from North America and the oil countries, and her internal trade, that will keep pace with this expansion; her imports from other parts of the world will not. Europe's production is now 75 per cent of the USA's and since Europe is investing faster and modernising more than the USA this gap is being closed. If Europe were politically united and had a Mr. Khrushchev we would have speeches every other day about "equalling and surpassing the USA"; since she is not, the fact is left for economists to announce. And no one takes any notice of them, because people think that they are just adding up national product totals on paper, and discovering that the sum is greater than the output of such real economic entities as Russia and almost as great as the USA's. Indeed it is not very interesting to do this, but when our paper figures begin to dance a disciplined quadrille (that is, when intra-European trade expands much faster than Europe's external trade, and when common markets and free trade zones are invented to legalise this fact) then we are dealing with an economic unit even if it lacks (and probably always will lack) political cohesion.

So what we need is a forecast of the probable course of European imports from the rest of the world in the years immediately ahead, an indication of the sources

of such imports (whether from North America or Asia, for instance) and a comparison between the rate of expansion of these imports and the rate of expansion of European production and internal trade. If we find that intra-European trade and total European output are to increase much faster than European imports from overseas, we will conclude that Europe will become economically a relatively closed system, that a new gap will appear in world trade and particularly between the industrialised West and the less industrialised countries. Hazardous as such speculation might appear, a number of respectable authorities are willing to offer reasoned guesses. Thus we can rely on last year's EOE report on the subject, a series of articles in 'Fortune' by Burck and Parker on Europe's economic future, and the Economic Commission for Europe's annual study that has just been published. The EOE offered forecasts of European imports up to 1960, while the ECE more adventurously tries to guess the world trade situation as it will be in 1975.

Before going into the details of these forecasts in next week's article (and it is the details that matter), one can anticipate on the political implications of the conclusions. It will turn out that Europe's emergence as an economic unit comparable in activity with the USA promises to be accompanied by an increase in imports, but that these increased imports will come mainly from industrialised countries and the oil producers. Thus, even though other countries' exports to

Europe increase, the increase will not be proportional or anything like it. This turning in of the industrialised West on itself will appear to the primary-produce exporters as a relative protectionism, even though legal legally and on paper the unified European economy is not protectionist. So it will be of small importance to haggle and bargain (e.g. in GATT) about open and avowed restraints on European trade with the backward countries. The important point will be to accept the brute fact of Europe's relative independence of the non-industrialised world, the growing gap between prosperous and poor nations, and to seek to remedy this not by ineffectual free-trade declarations but by international investments.

Before 1914, Europe (for all her cockiness about her glorious empires) traded more within herself than with the colonial world. The inequalities that this implied were more readily accepted then than they are today, and in any case there was free and substantial capital export to mitigate them. Now after four decades of war, protection, division and stagnation, Europe has resumed her economic progress, progress more dynamic than in most of the 19th century and more dynamic than anything that is going on today in Asia. Growing inequality has re-appeared and is increasing at a time when it is less acceptable politically, but when the stream of capital export has all but dried up.

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WORLDGRAM

AGRICULTURE

Rise in Fruit Products Exports: The Central Fruit Products Advisory Committee met recently under the Presidentship of Shri M. Lal, I.C.S. Joint Secretary, the Union Ministry of Food and Agriculture, to review the progress of the fruit and vegetable preservation industry in the country. The committee welcomed the increase in exports of fruit products from 1,200 tons in 1956 to 1,700 in 1957, but was of the view that there were vast potentialities of further stepping up exports if prices could be brought down to the level of similar products obtainable in foreign countries. The committee considered several schemes included in the second Five-Year Plan for the development of the industry including a subsidy on tin plate and loans to small and big manufacturers in the industry. It also emphasized the advisability of starting a refresher course for foremen and supervisors employed by the industry at the Central Food Technological Research Institute, Mysore.

Measures to Popularise Green Manure Crops: Two million packets of green manure seeds have been distributed to cultivators in Eastern and Central zones during the 'kharif' season, 1957. According to reports received recently, a million packets reached field officers in Uttar Pradesh by January 27, 1957. In Orissa 5,71,011 seed packets were distributed to cultivators up to July 27; 1,87,600 in Bihar up to July 11; 86,392 in Madhya Pradesh up to August 3; and 1,06,198 in West Bengal up to July 17. Andhra Pradesh has reported that 3,20,000 seed packets were distributed to cultivators in the State. The packets contain two to four ounces of a green manure seeds, which are sold to cultivators at a nominal price of one or two annas. This will enable the cultivators to sow seeds on the borders of their fields, and utilise green matter for manuring and collecting their own seeds for the next season. As a result of this measure, a much larger area is expected to be under green manure crops during the 'kharif' season in 1958. In case of wheat, a green manure crop of dhaincha or sesbania speciosa, senhemp or a short durhaincha or pulse like 'mung', 'kulthi' or 'guara', can be grown when no 'kharif' crop is to be grown on that land. A green manure crop thus raised is ploughed into the field by the middle of August. This will raise soil fertility, and increase wheat production.

Madhya Pradesh Bill for Land Improvements: The President has given his assent to the Madhya Pradesh Land Improvement Schemes Bill, 1957. The Bill seeks to establish a land improvement board to prepare and execute suitable schemes for soil conservation in consonance with the soil conservation policy of the Government of India. Soil erosion has constituted one of the most serious threats to land fertility in the country and the Government of India have set up a Central Soil Conservation Board and also requested the State Governments to set up similar boards in their areas.

INDUSTRY

Institute for Industrial Designs for Small Industries: An institute for industrial designs to assist small industries is being set up in Bihar under a scheme approved by the Government of India. The institute, to be set up at Patna, will have two sections one for handicrafts designs and the other for commercial designs. One more mobile carpentry shop is to be set up in the Pusa Pilot Project and a mobile blacksmithy in the Ranchi Pilot Project. A loan of Rs. 1 lakh has been sanctioned to the State for the industrial estate to be established in the Ranchi Pilot Project Area. For

setting up an industrial raw material depot at Patna a loan of over Rs. 2.4 lakhs has been approved. A major portion of this is to be utilised for its working capital. Bihar also receives two grants for the employment of additional staff for the Pilot Projects and for the appointment of a Community Project Officer for industries and his staff. In the pilot project area at Deoband in Uttar Pradesh, a multi-purpose unit for blacksmithy and carpentry is proposed to be set up. Assam has been given aid to set up a Central Workshop at Gauhati.

Manufacture of Motor Cycles: The Madras firm, licensed for the manufacture of motor cycles turned out 1,827 motor cycles during 1957. Giving this information in the Lok Sabha, in a written reply to a question by N. R. Muniswamy, the Minister for Commerce and Industry, Shri Lal Bahadur Shastri, said that the programme of complete manufacture of motor cycles in India was spread over a period of five years. The capacity for which the Madras firm was licensed was 5,000 motor cycles per year and this was considered sufficient at present to meet the country's full requirements. The present annual demand was estimated between 3,000 and 4,000 motor cycles. The following parts and accessories of a motor cycle, Shri Sastri said, were being manufactured in India: Piston complete, Seat, Petrol Tank, Spark Plug, Silencer, Inflator, Frame, Tyres and Tubes, Battery, Rubber Parts, Bolts, Nuts, Pins and Studs. The value of the imported parts and accessories was about 60 per cent of the value of a complete motor cycle.

Training in Leather Industry: The Government of India has approved a scheme for the establishment of a model training and production centre in hide flaying, curing, carcass and leather utilisation, and tanning at Bakshi-ka-talab, Lucknow. The scheme provides for setting up of three sections at the centre. One of them will be for hide flaying, curing and carcass utilisation; the second for tanning; and the third for footwear and leather. The object is to train instructors for schools to be set up in the States. These instructors will further train "chamalaya" workers and act as supervisors in the industry. It is expected that the centre will train 100 students each year — 60 for hide flaying and 20 each for tanning and footwear. The selection of the students will be made on an all-India basis. The scheme is expected to cost Rs. 17.46 lakhs. Of this, the Government of India will contribute Rs. 8.47 lakhs. The Netherlands Government has also agreed to send three experts — one for each section — and equipment for the centre at a total cost of Rs. 8.12 lakhs.

TRADE

Schedules to Indo-Yugoslav Trade Agreement Extended: Letters were exchanged in New Delhi recently between Shri D. Sandilya, Joint Secretary, Ministry of Commerce and Industry, and H. E. Mr. Bogdan Crnobrnja, Ambassador Extraordinary and Plenipotentiary of the Federal People's Republic of Yugoslavia in India, extending the validity of the Schedules attached to the Indo-Yugoslav Trade Agreement, concluded on March 31, 1956 and revised on June 19, 1957, for a further period of one year ending December 31, 1958, without any modification. The important items of export from India to Yugoslavia, mentioned in the Schedule attached to the Indo-Yugoslav Trade Agreement, are iron ore, manganese ore, mica, shellac, myrobalan and its extracts, tea, coffee, tobacco, spices, hides and skins, cotton textiles, raw wool, wool waste, jute goods, handicrafts and cottage industries products. Among the chief items of import from Yugoslavia included in the

Agreement are dyeing and tanning substances, iron and steel products, rolling stock, copper, aluminium, lead and zinc products, diesel and steam locomotives and tractors, turbines, motors and electrical transformers and gears, various types of machinery such as metal working machinery, mining machinery, cranes, ships and cement. The trade between the two countries has been on the increase since the signing of the Agreement and this trend is expected to be maintained during the current year. Exports to Yugoslavia during the first ten months of 1957 amounted to Rs. 62.5 lakhs and imports to Rs. 173 lakhs. The export and import figures for the whole of 1956 were Rs. 25 lakhs and Rs. 177 lakhs respectively. The chief items of export from India to Yugoslavia have been iron ore and vegetable oils. In imports iron and steel accounts for about 74 per cent of the total. Other important imports from Yugoslavia into India are non-metallic mineral manufactures, chemicals, drugs and medicines, electrical goods and apparatus and machinery of all kinds.

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First Trade Agreement Between India and Ethiopia Signed: The discussions between the Government of India and the Imperial Ethiopian Government on the development and strengthening of the trade between the two countries, which were initiated during the visit of His Imperial Majesty, Emperor Haile Selassie, have concluded. A Trade Agreement, the first ever between the two countries, was signed in New Delhi recently. Under the Agreement the two Governments have agreed to extend to each other the most-favoured-nation treatment in respect of customs duties, other taxes payable on imports and exports and all customs regulations and formalities. Subject to the relevant regulations in force, the two Governments will give the maximum possible facilities for import and export of commodities of interest to either party. For this purpose lists of articles available for export from either country will be exchanged periodically. Contacts between traders and trading organizations in the two countries would be encouraged by the two Governments. The possibility of closer economic co-operation, particularly the sharing of technical knowledge, experience and training facilities, will be explored by the two countries. The Agreement comes into force immediately and will be valid until the end of May 1959. It may continue in force for a further period of one year subject to any modification.

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Export of Tussar Silk Fabrics to U.S.A.: The Government of India have placed on special duty Shri A. R. Takyar, Assistant Secretary (Administration), Central Silk Board, Bombay, with immediate effect, in connection with the implementation of the agreement signed with the U.S. Government in February 1958, for the export of tussar silk fabrics to the United States of America. Shri Takyar will tour the different districts in the States of West Bengal, Madhya Pradesh, Bihar and Orissa where tussar silk is produced and contact the exporters and the District Industries Officers concerned with a view to facilitating the implementation of the procedure for the grant of certificates of origin. Intending exporters are advised to refer their difficulties, if any, to the Officer on Special Duty through the Central Silk Board, Bombay.

FINANCE

Rebate of Customs and Excise Duties on More Articles: In pursuance of their policy to promote exports, the Government of India have decided to allow rebates of Customs and Central Excise duties paid on raw materials for the manufacture of Diesel Engines, Chrome Leather Washers and Leather Cloth exported from India. The existing rate of rebate in respect of Spectacle Frames has also been enhanced. For particulars regarding the procedure to obtain these concessions, exporters are advised to contact the Collector of Customs at the ports of export.

Rebate of Customs and Central Excise Duty on the Export of Coffee: Draft rules have been published in a "Gazette of India" extraordinary detailing the procedure for allowing rebate of customs duty paid on imported chicory and Central Excise duty paid on indigenously produced coffee, on the export of French Coffee or Ground Coffee made from it. The rates of rebate proposed are 23 naye paise per pound of Ground Coffee, and in the case of French Coffee, 23 naye paise per pound of coffee content and 20 naye paise per pound of chicory content. An objection or suggestion received from any person with respect to these draft rules before April 30, 1958, will be considered by the Ministry of Finance (Department of Revenue), before the draft rules are finalised.

GENERAL

Survey of Technical Personnel in Industries: The Productivity Survey Committee, recently set up by the National Productivity Council, has decided to issue a questionnaire to all factories registered under the Industries Act, Chambers of Commerce and Industry and industrial associations for collecting data about the productivity personnel at present engaged in different categories of functions. At its first meeting the Committee decided that the data should cover productivity personnel employed in work study, production and planning control, quality control, cost control, plant layout and material handling, wage incentives, job valuation, merit rating, marketing and sales. Among other categories of functions to be covered include human relations, management organisation, personnel administration, working conditions, industrial research and training. The data will include assessment of the requirement of the personnel in the next few years on the basis of the expected increase in productivity consciousness through the efforts of the National Productivity Council and Local Productivity Councils. This data will enable the Committee to formulate plans for training of the personnel in various requirements of productivity techniques and processes. The Committee also decided to approach the Indian Statistical Institute to undertake a sample survey of the productivity personnel in different regions of the country.

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Reading Racks: A New Industrial Relations Tool: In America's factories and offices, reading racks are being widely used as a tool for improving employee attitudes and building good will between workers and management. The racks, located at convenient points, contain attractive, pocket-size booklets — easy to read and understand — on a variety of subjects. These are offered free on a self-service basis. The employees help themselves to whatever material interests them. In most companies from three to five titles are offered at one time, with a new title substituted at the rate of one a week. The subjects, designed to appeal to different tastes, generally fall into four categories; economics and social problems; health and safety; hobbies, home-making and sports, moral and spiritual guidance. The material is carefully chosen from many sources — magazines, speeches by prominent men, current books on non-fictional subjects, and special articles written specifically for the new informational medium. To instill confidence in the company as a source of information, emphasis is placed on the selection of material that is factual, unbiased and honest — neither pro-management nor anti-labour. For this reason, the racks are reported to have met with the approval of both union leaders and members. Numerous surveys in large and small plants indicate that the rack programmes are popular with both rank-and-file and supervisory employees. From company after company come reports that 98 per cent of the employees take booklets out of the racks at some time, 94 per cent read them, and 91 per cent take them home to be read by their families and friends.

NEWS IN BRIEF

INDIAN

India exports about 85 per cent of its annual production of nearly 70,000 maunds of Henna, bringing to the country approximately Rs. 15.5 lakhs in foreign exchange. Main importing countries are, France, Turkey, Tunisia, U.S.A., U.K. and Australia.

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The World Bank has announced approval of loans totalling \$43 million for port improvements at Calcutta and Madras.

*

The Government of India has constituted a Vegetable Oil Products Technical Committee, consisting of nine members. Of these, six are non-official members, including four representatives of the vanaspati industry.

*

It is reported that the Central Government had granted permission to a concern for establishing a paper pulp plant at Bilaspur without consulting the State Government.

*

The manufacture of radial drills of ten different types is expected to be undertaken shortly under a license from a European firm at the State-owned Hindustan machine tools factory.

*

The Indian coastal conference has revised its freight rates for black pepper and ginger from Malabar ports to Bombay. The revised freight rate chargeable from April 1, this year will be Rs. 65 per ton on 20 cwts. on all ginger in bags, the Cashew and Pepper Export Promotion Council, Cochin announced recently.

*

Shri Lal Bahadur Shastri, Minister for Commerce and Industry revealed in the Lok Sabha that the stock of unsold cloth with cotton textile mills at the end of March, 1958, was 3,44,800 bales. Exports in the first ten months of 1957 totalled over 768 million yards as against 743.8 million yards in the whole of 1956.

*

A scheme for all-India soil and land-use survey was being implemented from March 1, 1958, when the chief soil survey officer was appointed for the purpose.

*

In Punjab, there were 648 labour and construction co-operative societies with 67,700 members at the end of 1957. In Bombay, there were 139 such societies with membership of 7,990 at the end of June 1956 as against 11 societies in June 1949.

*

It is reported that out of 206 new power development schemes tentatively included in the second Plan, 99 schemes in full and 6 schemes in part had so far been finally approved by the Advisory Committee on Irrigation and Power Projects.

*

A sum of Rs. 72.84 lakhs was given to the State of Madhya Pradesh during 1956-57 for various educational development schemes by the Central Government.

*

Duplicating ink is being increasingly manufactured in the country, and with a view to standardize the requirements and methods of test, the Indian Standards Institution has published a standard specification for all weather black duplicating ink for rotary type machines.

FOREIGN

Czechoslovakia and the Soviet Union have concluded a trade agreement covering the period up to 1965. Russia will supply iron and manganese ore, oil, cotton, grain, rolling mill, forge and press equipment, and metallurgical machine tools. Czechoslovakia will supply machines and equipment, including electric and diesel locomotives.

*

The Ceylon Government has received an offer from China to supply rice to the value of Rs. 40 million in part settlement of the debt of Rs. 75 million owed to Ceylon on last year trade.

*

It is reported price inflation has revived in Australia — as a result of drought — after more than 6 months stability. The cost of living rose by an average of 35 in six Australian capital cities in the quarter ended March 30, according to index figures issued by the Commonwealth Statistician.

*

The Danish National Bank has lowered the discount rate from 5½ to 5 per cent. The rate was raised from 4½ to 5½ per cent on June 23, 1954.

*

The U.S. gross national product in the first quarter of 1958 dropped to an annual rate of \$424,000 million — the lowest point since the third quarter of 1956 and almost 2 per cent below the figure for the fourth quarter last year, according to a preliminary estimate by the Council of Economic Advisers.

*

A joint plan for the European Free Trade Area has now been prepared by the industrial federations and employers organisations of the U.K., Norway, Sweden, Denmark, Austria and Switzerland. The Plan, sent to all O.E.E.C. Governments and industrial federations, differs significantly from any proposals for a Free Trade Area so far advanced from any quarter.

*

West Germany's foreign trade surplus in March was £39 million, against £46 million in March 1957, and £46.4 million last February. Imports were £21 million against £229 million, the previous year, though showing a 7.8 per cent rise on last February.

*

New Zealand earned a record £3.47 million in overseas exchange from the tourist trade in the 1957-58 financial year. This is an increase of over £300,000 compared with the previous year.

*

U.K. wool production last year was the highest for any year since 1939. Because of the greater number of sheep and the bigger yield of wool per sheep, the total clip rose by 7½ million lbs. to over 75 million lbs., according to the British Wool Marketing Board.

*

Trading opportunities for British exporters have improved this year in Argentina, Ceylon, Kenya, and Spain but the outlook has become less favourable in the Irish Republic and the U.S. according to the April issue of the G.E.C. export guide.

*

Provisional Irish trade figures for March show that imports were almost 14 per cent higher than in the same month of previous year, while the value of exports was only 4 per cent above level of March, 1957.

*

Oil production in the Middle East has been running at new peak levels so far this year, despite the set-back to world oil trade in general since last September.

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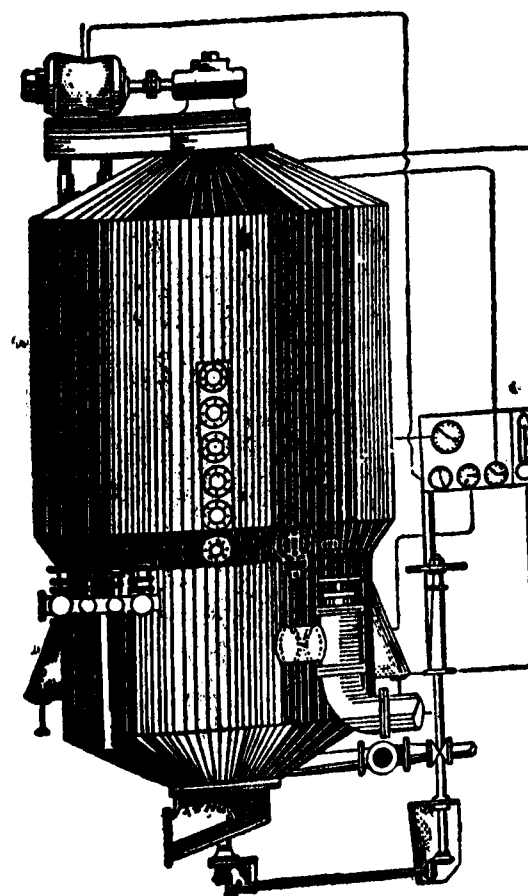
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Company Meeting

THE BUCKINGHAM & CARNATIC CO. LTD.

CHAIRMAN'S SPEECH

Presiding at the Thirty-seventh Annual General Meeting of the Shareholders held at the Company's Office, 7, Armenian Street, Madras, on Friday, 25th April, 1958, Mr. E. J. M. Leigh said:

Gentlemen,

The Report of the Directors and the Audited Accounts for the year ended 31st December, 1957 having been in your hands for the prescribed period before this Meeting, I propose, with your permission, to adopt the usual procedure and to take them as read.

The year under review added a trouble filled chapter to the history of the Indian Cotton Textile Industry. From conditions of scarcity in September 1956 when Government imposed penal excise duties, ostensibly to mop up surplus profits and curtail demand, consumption fell to such a degree that some Mills closed down and others had to suspend shifts before any remedial action was taken.

Despite distress sales to find working capital and drastic reductions in duty paid prices, offtake did not improve and stocks with Mills rose by some 450 million yards. As export sales increased by about 100 million and total production was only marginally in excess of that achieved in 1956, it will be seen that home consumption of mill cloth fell by approximately 550 million yards.

This phenomenon has not yet been fully or conclusively explained and we have to look beyond the steep rise in prices of food, such a large element in the family budget and which was undoubtedly a contributory factor. It is easy to jump to the conclusion that there has been a sudden and very marked reduction in consumer demand and that the Industry in achieving and surpassing the target set for it by the planners has sown the seeds of its current distress.

I myself believe that actual retail consumption was substantially in excess of clearances from Mills and that both would have been much higher had there not been a marked swing from the traditional balance of production within the Industry towards the coarse end, and gross over production in particular sorts, such as course dhoties and sarees. These two items are understood to form a large part of stocks lying with Mills and their disposal will take time, even if all further production is discontinued for the time being.

This "go coarser" movement has undoubtedly been encouraged by the psychological effects of the disproportionately high rates of excise duty and sales tax levied on finer cloths and the rebate in excise duty offered towards the end of 1956 for increased yardage production.

The Industry's predicament was also aggravated by dealers adopting a hand to mouth purchase policy, having lost confidence and expecting a reduction in Excise Duty rates and a replacement of Sales Taxes by additional Excise duties.

Two measures of relief were introduced in December last in the shape of a reduction of 6 pies per square yard in the rate of excise duty applicable to "Medium" cloth, in which category stocks were the highest, and the replacement of all Sales Taxes on cloth, Central and State, by additional excise duties. Further concessions were announced in March this year applicable to all categories and advantage was taken at the same time to express the rates in naye paise. Supplies can now reach the consumer at lower prices and some measure of confidence within the trade has been restored, though it is too early yet to determine whether

these concessions will prove adequate in the long run and permit a reduction of stocks to normal levels. Much will depend on the future level of food prices and the balance between actual production, quantity and quality, and the needs of the consuming public.

On the Export front, the prospects for 1958 look bleak. International trade continues to shrink, competition to intensify and the spreading effects of the current American recession cannot be disregarded.

Prices of many types of cotton available to India's foreign competitors have fallen more than local prices, buttressed by higher Mill offtake, thereby impairing seriously the Industry's main natural advantage. It must not be forgotten also, that India's competitors have ready access to the latest machinery and techniques which they have not hesitated to install and adopt, while in India ever increasing restrictions are imposed on the import of vital plant and essential spares and stores etc.

If India is to maintain, let alone increase her exports of cotton cloth, ways and means must be found to reduce production costs substantially.

It is in the face of these unfavourable trade conditions that your Company achieved, in 1957, a record sales figure of nearly Rs. 10 crores. This result in such difficult circumstances can be regarded as a tribute not only to the sustained high quality of your Company's products and to the Mills' productive efficiency but also to the efficacy of its Sales Policy and market research. Furthermore, your Company by increasing its exports by over Rs. 25 lakhs to Rs. 2.17 crores has made no mean contribution to India's foreign exchange earnings.

Unfortunately, as the Accounts before you show, these achievements have been accompanied by a fall in profits as it has not been possible to increase selling prices to cover the continued rise in costs of production, particularly of raw materials, fuel and wages.

I am pleased to say that relations with labour during the year were harmonious and no serious stoppages occurred as a result of strikes or other avoidable causes. Recently, however, there has been a demand for an increase in the Bonus paid by the Company for each of the years 1954, 1955 and 1956 for each of which has been paid in accordance with the long standing formula. The Company has not been able to agree to this demand and it has been referred to a Conciliation Board for their recommendations.

The bonus paid for the year 1957 was on the same basis and amounted to Rs. 22,11,353—a record bonus payment for this Company, the figure being higher this year because of the terms of the 1957 Arbitration Award.

Neither the Industry nor the Country can afford to pay higher wage bills which are not related directly to higher workloads and improved efficiency and it is to be hoped that this vital point will not be overlooked by the Wage Board now studying conditions in the main Textile Manufacturing Centres throughout India.

At the same time the resistance of labour to the progressive introduction of modernisation and rationalisation measures must be overcome if this major Industry is to play its part in successive Five-Year Plans and retain its foreign exchange earning capacity,

Though foreign exchange is of vital importance, too little attention appears to have been given to the development of internal resources, an equally essential counterpart in all sectors. I wish Government every success in their proposed drive to eliminate unnecessary administrative expenditure. It is only the net revenue from taxation which is of real value to the country and the collection costs should therefore be reduced to the minimum. The replacement of Sales Tax by additional Excise Duty is a welcome step to this end which I hope will be extended to as many products as possible. I trust Government will also consider the possibility of replacing Sales Tax on imported stores and industrial raw materials by a surcharge on Import Duty, which could be refunded as a rebate on the basis of export performance.

I now turn to the more domestic affairs.

Considerable progress has been made towards the completion of the second New Weaving Shed, the Northern half of which is now virtually completed and looms are already being installed. It is planned to have this section in production before the end of this year, by which time it is hoped that the flooring and associated works for the Southern half of the Shed, which has already been roofed, will be well under way. The rehabilitation of old looms, is however, handicapped by the difficulty in obtaining licences for the import of such essential components as are not yet manufactured in this country.

The scheme under which the Government of India proposed to permit the import by the Industry of additional automatic looms, subject to exacting and penal conditions concerning the export of all cloth produced from these looms, has proved impracticable, and we have not therefore proceeded with the import of the 144 looms, allotted to your Company. Reports in the Press indicate that the associated terms and conditions are under review by Government, and your Directors will reconsider their decision should it become possible later on to install additional plant on acceptable terms. Meantime everything possible is being done to complete the renovation of existing machinery.

The Company's building programme this year also includes the construction of some 200 additional houses for their workpeople at an estimated cost of Rs. 7,25,000.

Turning now to the accounts, you will observe that the value of the stock of finished goods at the close of the year was only fractionally in excess of the previous year's figure. This is contrary to the general experience in the Industry to which I have already referred, and this satisfactory position has been maintained in spite of higher production.

The increase in the Company's Overdraft is accounted for mainly by a rise in the value of raw materials stock.

A sum of Rs. 3½ lakhs has been transferred to the Provision for Workpeople's Gratuity, which provision was created in accordance with the Award made last year. The other important transfers have, I think been covered adequately in the Directors' Report.

The liabilities of the Workpeople's and Employees' Provident Funds, the assets of which are invested in Trustee Securities, amounted at 31st December 1957 to Rs. 1,71,04,855 and Rs. 14,65,313 respectively.

Once again I would like, on your behalf, to record our appreciation of the valuable services rendered by the Managing Agents and of the efforts made by the Mill Manager, the Staff and Employees which have contributed so much to what I can only describe as another satisfactory year's results.

I cannot conclude my review without reference to my friend and colleague Mr. R. E. Castell, who retired from India at the end of March this year, and who has been your Chairman since 1952. Mr. Castell won the affection and esteem of all those with whom he came in contact and his services as Chairman and Director were invaluable. I am happy to say that Mr. Castell will maintain an association with your Company and during his visits to India in the future we hope to draw on his experience and benefit from his wise counsel.

GOVERNMENT OF INDIA

3½ PER CENT. BONDS 1963 ISSUE PRICE Rs.98.75 Rs. 100 (NOMINAL). REPAYABLE ON

12TH MAY, 1963.

3½ PER CENT. NATIONAL PLAN BONDS — FIFTH SERIES (3½ PER CENT. 1968). ISSUE PRICE AS 99.50 PER RS. 100 (NOMINAL). REPAYABLE ON 12TH MAY, 1968.

4 PER CENT. LOAN 1973. ISSUE PRICE RS. 100 PER RS. 100 (NOMINAL). REPAYABLE ON

12TH MAY, 1973.

Subscriptions to the above bonds and loan will be received simultaneously and will be limited to a total of Rs. 135 crores (approximately). Subscriptions may be in the form of (i) Cash/Cheque or (ii) securities of the 3 per cent Loan 1958 or 4½ per cent Loan 1958-68, which will be accepted for conversion at the following rates:—

3 per cent Loan 1958 Rs. 99.75 for Rs. 100 (Nominal)

4½ per cent Loan 1958-68 Rs. 100.10 for Rs. 100 (Nominal)

Interest will be paid on the 3 per cent Loan 1958 and 4½ per cent Loan 1958-68 tendered for conversion

up to 11th May, 1958 inclusive.

The new bonds and loan will bear interest from 12th May, 1958. Interest will be payable half-yearly

on 12th May, and 12th November.

Subscription lists will open on 12th May, 1958, and close on 14th May, 1958 or earlier without notice.

Applications for the bonds and loan will be received at:

(1) Offices of the Reserve Bank of India at Bangalore, Bombay, Calcutta, Madras, Nagpur and New Delhi;

(2) Branches of the State Bank of India at other places in India except at places mentioned in (3) and

(4) below;

(3) Branches of the State Bank of Hyderabad conducting Government business; and

(4) Branches of the Bank of Mysore Ltd., in the State of Mysore.

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

The Business World

SEARCHING DEBATE ON THE STC

(By CROESUS)

THE wrath of the business community seemed to have been directed in full measure against the activities of the State Trading Corporation this week. The most scathing criticism about the working of the S.T.C. so far was heard at the Convention on State Trading arranged by the Forum of Free Enterprise on Monday last. But the criticism was by no means confined to the so called extremist critics speaking from the platform of the Forum; it was even voiced by the sober Chairman of the Shivrajpur Syndicate, Ltd. at the Company's annual meeting on Tuesday. At the Convention arranged by the Forum, strong exception was taken to State Trading on the theoretical ground that it encroached upon the fundamental rights and individual liberties of the people and also on practical grounds, such as the alleged mismanagement by the Corporation and the very heavy losses to the country caused by the Corporation's monopolistic entry into several fields. At the Shivrajpur Syndicate meeting, on the other hand, the criticism was confined to the deleterious effects of State trading on the manganese ore industry and trade.

If the activities of the State Trading Corporation were allowed to be extended unquestioned, declared Mr. A. D. Shroff, who presided over the Convention, "they would ultimately wipe out free enterprise in the country and deprive the traders of their fundamental rights and individual liberty." He said State Trading had resulted in serious harm to the country's trade and industry. Mr. N. Dandekar I.C.S. (Retd.), who was the first speaker, dealt on the "Limits and Limitations of State Trading", and expressed the opinion that State Trading could be supported only if it worked in public interest and if the former trade channels could not fulfil the necessary requirements. Actually, however, he felt, this was not the case and, as such, he concluded, these considerations were entirely overlooked by the authorities. He particularly stressed the point that State trading led to abuse of power vested in the Government. In the opinion of Mr. Vaidya, who spoke next on "State trading and Democracy", the expansion of State trading placed the traders at the mercy of the Corporation which might lead to serious political repercussions and render the working of democracy difficult.

It was left to Mr. S. C. Bose, President of Utkal Mining and Industrial Association, Calcutta, and to Mr. Futnani, President of the Iron Steel and Hardware Merchants' Chamber of India, to cite a series of instances to establish that the S.T.C. had neither the personnel, nor the requisite experience to carry out the difficult and responsible tasks assigned to it. If all their allegations are true, the country must have avoidably lost crores of valuable foreign exchange, thanks to the S.T.C.'s handling of the trade in minerals and iron and steel alone. According to Mr. Bose, out of the 13 lakh tons of iron contracted to be sold to Japan, only 6.36 lakh tons had been sold till January, 1958. Mr. Futnani, who dilated on the inefficient handling of the trade in iron and steel by the S.T.C., also quoted instances to prove his point. He thus disclosed that the Government had purchased steel billets at £55 per ton C.I.F. at a time when the price had never exceeded £48 to £50 per ton; similarly, he said, steel plates had been bought at £73 per ton when they were available at the time at between £58 and £60 per ton. The tragedy of all these deals, as Mr. Futnani pointed out,

is that, even when the Government could have cancelled the contracts and corrected the situation when the shipments did not arrive at the stipulated time, the S.T.C. was magnanimous enough to allow extension of time to overseas suppliers. In this connection, he also referred to the recent disclosures by the Estimates Committee about the defective purchases made by the Government of India by its Stores Purchase Department which have unfolded sorry tale of transactions of purchase of unserviceable materials entailing a loss of lakhs of rupees to the country. Commending the vehement opposition to the extension of State trading in exports of tea by Mr. Morarji Desai, the other day, Mr. Futnani demanded that the Government should give up its State Trading policy and entrust the work to expert business men who have been accustomed, by tradition and temperament alike, to carry on trade and commerce. Failure in doing so, he felt, would result not only in the wastage of the Indian taxpayers' money but also in the hampering of the country's industrial progress.

The most telling criticism, perhaps because of the sober way in which it was put, was made by Mr. Haksar who reviewed the position of the manganese ore industry and trade since the introduction of State Trading in manganese ore towards the middle of 1956. Ever since then, he said, the country's traditional buyers in foreign countries had been displaying a distinct tendency to procure their requirements from sources other than India. The very concept of trade with a State-owned body like the S.T.C., he said was looked upon by the majority of buyers with disfavour. There was also an understandable preference on the part of all buyers to deal with parties directly connected with actual mining operations and having long experience of the trade. Mr. Haksar further complained — Mr. Vaidya also did this—against the policy of the S.T.C. which, instead of exploring new avenues for exports or confining itself to trade with Communist countries as originally envisaged had started, displacing existing and established interests, with the result that there was no additional benefit to the country at large; on the contrary the country had actually suffered from a sharp decline in the exports of manganese ore. In this connection, the figures of total imports into the U.S.A., in November, 1957, of ore containing 35 per cent or more manganese mentioned by short tons imported by America in that month, Mr. Haksar pointed out, Brazil had supplied 29 per cent, India 23 per cent and Ghana 11 per cent while the rest was supplied by other countries, including South Africa, Belgian Congo, Turkey, Cuba, Portuguese Africa, Morocco and Chile, among others. The greatest headway among these competitions had been made by Brazil, which increased its export to the USA to 900,000 tons in 1957 from a negligible quantity before 1954. Indeed, Brazil has become India's most serious competitor in regard to Manganese ore today.

After listening to all the accounts relating to, and the serious allegations against, the S.T.C., the most damaging of which was when one of the speakers at the Convention said that, if an enquiry were to be instituted into the working of the S.T.C., even the L.I.C. tangle would pale into insignificance one would not be instituting without delay to ascertain the entire position as a preliminary to corrective action.

BUSINESS NOTES

TELCO PRICES AGAIN

THE PUBLIC ACCOUNTS COMMITTEE of the Lok Sabha has revived the question of prices paid by the Railway Ministry to Telco for its locomotives. There is nothing new in the criticism it has levelled against the original contract, the advances of funds by the Railway Ministry to the Telco and the failure of Telco to adhere strictly to the terms especially relating to prices. Last year's long debate in the Lok Sabha on Telco prices and the contract, followed by clarificatory correspondence in the Press by Mr. Feroze Gandhi and Sir Homi Mody, should have sufficed to put this controversial question in proper perspective. "The Eastern Economist" has taken the view that Telco has not acquitted itself of the responsibility of reducing the locomotive prices as expected, but that many of the mitigating circumstances pleaded by the company are valid. On a balanced consideration of all the issues raised, the picture, as it is depicted about Telco's performance, goes beyond a sober representation. This time, in its fourth report on the Appropriation Accounts (Railways) 1954-55 and the Audit Report 1956, the Public Accounts Committee has said that, since the railways are the sole purchasers of the company's locomotives and boilers, it would be unfortunate if the interest of the railways is subordinated to that of a factory which has failed to keep to the terms of an agreement. Is it suggested that this enterprise is a white elephant feeding at the cost of the exchequer?

It should not be overlooked that this composite unit, manufacturing locos, boilers, trucks and which has started lately a foundry, is developing as one of the important units in our heavy engineering industries. During the forthcoming price period, the terms of the price agreement can be rationalised to enforce progressive reduction on a scale comparable with prices of imported locos. The Public Accounts Committee has given its verdict that the prices fixed by the Tariff Commission are on the high side. Some may question the Committee's technical claim to pass the judgment. Similarly, its suggestion to the effect that Chittaranjan's manufacturing cost of a WG locomotive should be taken as the basis of fixing Telco's costs can hardly find unqualified approval. Chittaranjan is undoubtedly a model of efficient loco production, but the basic differentials in the types of locos produced by the two units ought not to be ignored. The technical implications in particular are matters to be categorical. Wrong for non-technical spokesmen to be categorical. It is difficult to appreciate what the Committee means, when it says, that the benefits of accelerated depreciation and amounts advanced by the Government to Telco will not be available, in the form of reduced prices, to the railways, as the contract terminates in 1961. After this period, too, the railways will continue to be the sole purchasers. In spite of the Government's firm "no" to the demand for nationalisation of Telco, the Committee has reverted to this pet cure. Its unshakable faith in nationalisation is astonishing. Obviously it does not consider it worth while to draw the necessary moral from the working of public sector enterprises like State-owned and managed collieries.

A SOBER ANALYSIS

MR. S. P. JAIN'S speech at the general meeting of the Punjab National Bank as its Chairman is a lucid presentation of the current economic situation vis-a-vis the Plan. The burden of his speech, however, related to one crucial factor, namely the problem of non-resources. He pointed out that though the problem of availability of enough foreign exchange for development purposes continued, what was equally necessary to recognise was the fact that the utilisation of the available

foreign exchange by providing matching rupee capital was assuming serious importance. This should be seen in the context of the fact that the rate of increase in industrial development since the end of the year was falling. This certainly is a disturbing factor which has to be taken into account so that Government's fiscal and monetary policies may be suitably adjusted. Mr. Jain, therefore, pleaded that the monetary authorities must evolve a machinery for meeting the needs of internal resources for development and suggested that the services of commercial banks individually or through a consortium of banks may be utilised to meet the situation.

Mr. Jain also made a timely suggestion that the Government and the Planning Commission should make an urgent study of the effect of last year's fiscal policy on the implementation of the Plan. There was considerable truth in his terse statement that the Government's policy was not such as to keep the value of the people's savings intact. The depreciation in equity share values as a direct result of Government's fiscal policy had not only wiped out the savings of the investor but had shaken the confidence of the investor and the industrial management. But saving, as he rightly pointed out, formed the fulcrum of the Plan and any policy that comes in the way has to be reversed. There are indications that Government's policy may not after all be so rigid as seen, for example, in the withdrawal of the compulsory deposits scheme, the reduction in the excise duties on cotton textiles and the new variations regarding development rebate. Will it be idle to hope that the same flexibility will be extended further?

TRIAL PERIOD FOR TEXTILES

THE BUCKINGHAM AND CARNATIC MILLS achieved an impressive record in their sales during the calendar year 1957 by attaining still another peak at Rs. 10 crores. If in spite of the heavy odds which the industry had to face last year, the Buckingham mills have been able to continue their dynamic sales, it is due to the maintenance of high standards of quality, productive efficiency as well as to an intelligent sales policy. Still another achievement to the credit of the company which ought to be mentioned is the higher earnings of exports. The company's total exports reached the figure of Rs. 2.78 crores, which was Rs. 25 lakhs higher than in 1956. While this massive performance on the sales front will catch attention, it needs to be underlined that it could be recorded because the company gave a subordinate place to profits. As between profits and higher sales, it chose the latter.

Mr. B. J. M. Leigh, Chairman of the Buckingham and Carnatic Company Limited, gives a penetrating analysis of the crisis of cotton textile industry in his annual presidential speech which appears elsewhere in this issue. Consumer resistance which the cotton textile industry is facing for many months past is undoubtedly due, among other factors, to the high prices of food. But it needs to be remembered that the resistance is also due because the industry as a whole did not produce precisely the types of cloth that were in demand. If the high incidence of taxation, which is now reduced, is excluded from consideration, it cannot be denied that the easy tendency on the part of the cotton textile industry to switch a disproportionate part of its capacity to the production of coarse varieties of cloth, disturbed balance in production and brought the current troubles. In the short run the industry will have to rectify the imbalance in production as between different varieties of cloth by bringing about a substantial reduction in the manufacture of coarser varieties. But what type

There is still another long-term aspect of the industry's reconstruction. The cost structure of the industry which is heavy now must be rationalised and the products must be made competitive particularly in the overseas market. For this purpose rationalisation of equipment and machinery which has been taken on a very substantial scale by Japan, India's biggest competitor in the world market, must be adopted by the Indian textile industry also on a practicable scale. Mr. Leigh has recorded what must be regarded as a tragic fact. Even this company under proved efficient management finds itself unable to utilise the permission granted to it to instal 144 automic looms. This is so because the conditions about disposing of the entire output of the automic looms by means of export alone and permission to sell this output in the domestic market under a penal excise duty are prohibitive. The complaint of some mills is that the number of looms granted to them is too small to allow economic operation. This week Mr. Nityanand Kanungo emphatically told the Lok Sabha that the Government did not contemplate any liberalisation of the conditions imposed on use of automic looms. This is not only an inflexible attitude but it is also unrealistic. It is time the Government revised this policy.

WORLD BANK LOANS FOR PORTS

THE WORLD BANK mission's visit to this country in October last year has borne fruit. The Bank has announced two loans totalling \$43 million for the development of the ports of Calcutta and Madras. In the face of foreign exchange stringency, these loans will be handy to meet the requirements of the foreign exchange component of the port projects. The Calcutta port, the total cost of which is estimated at \$50 million, will cover a sum of \$29 million as its share in the amount provided by the World Bank. The project is scheduled to be completed by 1962, and deals mostly with replacement or rehabilitation programme of the port. The capacity to handle traffic will also increase but modestly.

The second project — Madras port — which is seriously lacking in the provision of traffic facilities will be allocated \$14 million under the World Bank loans. But the total cost of the project is \$32.2 million. The remainder rupee expenditure on the development of the port will be raised by the trustees of the port. It is expected that the project, when completed by 1962, will meet the growing pressure which is likely to be felt because of the increasing activity during the subsequent Plans. It is anticipated that recurring congestions so often reported from these ports will be eliminated. Moreover, the technical facilities under these programmes to rehabilitate, to modernise, and to expand the ports will speed up the movements of goods. Especially the Madras port, where an important commodity like ore is handled by manual labour, will have a change-over to mechanization.

Before entering into formal loans agreement of the World Bank, Mr. S. K. Patel, Minister for Transport and Communication felt the necessity of introducing a Bill in the Lok Sabha to amend the Bombay, Calcutta and Madras Port Trusts Acts. The intention of the Bill is to remove any possible doubts regarding the legal competence of the port authorities to obtain loans from institutions like the World Bank on such terms and conditions as might be approved by the Central Government. At one stage of the Bill — immediately when it was taken up for discussion — it appeared that it would be delayed on a technical objecting. But the objection raised was finally overruled and the Bill was passed by the Lok Sabha. It is now a matter of only a few weeks before it will be placed on the statute book.

EAST INDIA DISTILLERIES

IT WAS a heartening picture that Mr. C. R. Srinivasan, Chairman, gave at the annual general meeting of the East Indian Distilleries and Sugar Factorics Ltd. Because of the company's interest in sugar, he naturally devoted a considerable portion of his speech to the problems of this industry. He was apprehensive that the industry as a whole was heading towards a crisis. Internal consumption had not kept pace with production and the export trade, in spite of the promising start, was also facing heavy weather because of the decline in world prices. Thus, while the average cost of cane alone in India was about Rs. 408 per ton-sugar the present level of world sugar prices was round about £35 per ton, i.e., roughly Rs. 470. He pointed out that already at the current level of world prices, the loss on export for every lakh of tons would be of the order of Rs. 2½ to 3 crores after making due allowance for full drawback of excise duty and cane cess on sugar exported. The Indian Sugar Mills Association had been, therefore, making a number of suggestion to promote exports for relieving the pressure on the internal market. But in this context Government's policy on cane prices based on a price linking on profit sharing formula, which would tend to increase the flat rate payment, would only make the position worse, and make exports more difficult. An incidental effect of this policy which would divert more and more land to cane production at a time of shortage of food supplies and failure of consumption of sugar to keep pace with production has also to be seriously considered.

Apart from the sugar industry, Mr. Srinivasan also dealt with two other fields in which the Company was showing progress, namely, fertilisers and pottery works. The integration of their fertilizer interests was completed last year and during the year under review, both manufacture and sales had greatly advanced. They were also planning to set up a factory at Vijayawada for fertilisers to cover the needs of the Krishna and Godavari delta. In addition they were also planning for another project for the manufacture of fertilizers. As for the pottery works at Ranipet, what started as a subsidiary had now developed to the proportion of an industry by itself and they were engaged in tapping to the full the potentialities for sanitaryware for which the market seemed to be unlimited.

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Company Meeting

THE PUNJAB NATIONAL BANK LTD.

Speech of Shri S. P. Jain Chairman at the 111th Ordinary General Meeting held on Friday the 25th April, 1958

Gentlemen,

I have pleasure in extending to you all a hearty welcome to the 111th Ordinary General Meeting of the Bank. It is a matter of additional pleasure that we are able to meet today in the Hall in our new building. The Head Office of the Bank will also gradually move into this building and the hopes of our being able to render still better service to our large constituents from this central place will be fully realised.

BALANCE SHEET, 1957

Profits: You will find from the Statement of Accounts already with you that the Bank has maintained its stride of progress. The profit for the year under review has crossed the one crore mark and was Rs. 117.27 lakhs including the Rs. 6.20 lakhs brought forward, against Rs. 90.20 lakhs in 1956. This has been arrived at after a contribution of Rs. 9.32 lakhs to the Gratuity Fund Trust. The Board has proposed after transfers—Rs. 50 lakhs to taxation, Rs. 22.5 lakhs to reserves, Rs. 18 lakhs to bonus for staff and Rs. 1 lakh for charity—a final dividend of Rs. 2-8 per share on the increased capital. This raises the dividend to 20 per cent per annum. The bonus to staff has been raised to 3 months basic salary for 1957 against that of 52½ days for 1956.

Deposits: The Paid-up Capital has increased from Rs. 87.5 lakhs in 1956 to Rs. 1.25 crores in 1957. The deposits rose nearly to Rs. 125 crores registering an increase of Rs. 18 crores during the year against Rs. 16 crores in 1956. In the background of stringency of money in the country, your Bank has had throughout surplus funds. Your Bank did not for a certain part of the year compete with other banks for deposits. Your Bank had, however, to yield to the pressure of valued clients and agree to the same rate of interest as offered by others. The Bank's large funds were lent to other banks as short-term deposits. The rise in the cost of money is slower in your Bank as compared to others, but still high. This is a matter that calls for some sort of concerted action by leading banks.

Advances: Our loans and advances showed only a moderate increase of Rs. 13.09 crores from Rs. 54.86 crores in 1956 to Rs. 67.96 crores in 1957. In view of the Reserve Bank's policy of credit squeeze on advances against food grains and availability of large funds with us, the Bank has to diversify its advance policy and is now looking into the credit-worthiness of different industries that have developed during the last few years and attempting to increase advances in fields not hitherto covered by the Bank.

BRANCH OFFICES

Your Bank's policy of extending its services in areas not being served by banks continues. The number of offices increased from 340 to 353 during the year. One of the handicaps with regard to the opening of new offices in areas with insufficient or no banking facility at present is the difficulty of building up a reasonable advance portfolio. This position was brought to the notice of the Reserve Bank. Certain modifications were made by the Reserve Bank in their policy regard-

ing advances on food grains. But they do not meet the situation. If banking has to expand in new areas, the policy needs further revision.

The space problem at the Head Office will be eliminated with the shifting to our new building. The enlarged organisation of the District Managers has now been well consolidated for rendering better and prompt service to our varied clients. The Foreign Exchange Department is also being organised on a regional basis and I hope it will take its proper shape during the present year.

1957: RETROSPECT

The past year has been in a way a complex and difficult one. Viewing the economy of the country, however, as a whole in retrospect, we find that we have fared better than we thought we would. A big storm that appeared to gather force blew over and though there has remained much dust and some dislocation we are still on our feet. We have not only to continue to remain on our feet but also grow up.

HIGHER PRODUCTION TRENDS

At the beginning of last year, there was apprehension of a declining trend in agricultural production and consequent rise in the price level. It was further feared that the stricter import control over general consumer goods would also be an inflationary factor. There was failure of monsoon and serious drought occurred in many parts of the country. By the middle of 1957, the price of food grains had gone up. The Government of India and the Reserve Bank took concerted measures to keep down the level of prices by importing food grains and by the policy of credit squeeze and other steps. In line with this policy, your Bank also limited advances on food grains. At the end of 1957, the food grains prices came down to more or less the level that was prevailing at the end of 1956. The price index for food articles in December 1957 was 102.9, the same as in December 1956. The general price level at the end of 1957 was same as at the end of 1956 in spite of the sharp increase in the excise on a number of items in the middle of 1957. The index for all commodities was 106.3 in December 1957 against 106.9 in December 1956. Having regard to the increase in the money supply, excise impositions and import restrictions on consumer goods over a wide front, this trend in the price level affords considerable satisfaction.

Taking the picture of production in the fields of agriculture and industry, we find that there has been during 1957 an increase of 6 per cent in the agricultural production and 11 per cent in industrial production. Leaving the peak production in 1953-54, the production of food grains in 1957 showed the highest increase during the last eight years. In wheat, gram, cotton, coffee, rubber and sugarcane, the production in 1957 set new records. The rate of industrial production during the year as a whole was the highest in the past many years. The index rose from 103.6 in 1952 to 133.0 in 1956 and 147.6 in 1957 (11 months). The rate of increase in 1957 over 1956 is 11 per cent against 8.9 per cent in 1956 over

the previous year and the highest over the past five years.

The foreign exchange position that was extremely tight and which, it was apprehended, would adversely affect production in the country has since improved though not adequately. Though the problem of non-availability of foreign exchange for development purposes continues the utilisation of available foreign exchange by providing matching rupee capital is assuming serious importance. It is thus a picture that carries the hope of progress emphasising the need for serious efforts in all directions. I agree with the analysis of Mr. Iengar, the Reserve Bank Governor, that "there is no reason why we should take a gloomy view of the situation". But the rate of increase in industrial production since the end of the year is falling and is a disturbing factor which must be taken into account for adjustment of policies, fiscal and monetary. We have definite objectives and if they are better secured by adjustment in the fiscal and other Governmental policies, doctrinaire considerations should not stand in the way.

FOREIGN EXCHANGE AND DEVELOPMENT

We have three more years of the second Plan to go. Our ultimate objectives have to be realised. Also, as the Prime Minister stated in Parliament, our under-developed country has somehow to break the barrier and cross into a dynamic and self-progressing economy. We have to realise that the development programme we seek to implement cannot be achieved without a substantial measure of foreign assistance. There is a feeling among certain sections in our country that by embarking upon a heavy development expenditure now with foreign assistance, we shall be mortgaging our third Plan. It was inherent in the Plan itself that we would take foreign assistance to complete our development programme, but, of course, the size of our requirement compared to estimates has considerably increased. Development is a continuous process. The creation of additional resources and increased credit-worthiness of the economy achieved through such development will enable us to meet our liabilities. There is nothing inherently wrong in going ahead at a faster speed with our development programme with foreign assistance. If the foreign exchange obtained is used for development purposes even with the admixture of created credit of Indian rupee such development would itself be an anti-inflationary measure.

As regards the shape in which the foreign capital should flow into our country, opinion seems to be divided. Some consider that deferred payment system carries with it a heavy liability. This liability is precise and fixed in advance. In the case of equity capital it is not so. The liability is rather permanent and growing especially with reference to large profit-yielding industries. The choice may be a matter of preference with reference to individual schemes depending upon their profitability. The shipping interests who are willing to borrow money are opposed to foreign ownership through flow of equity capital. In their opinion, the yield on shipping investment is not large by industrial standards.

In whatever shape the foreign capital may come, its utilisation for achieving our development programme is linked up with our ability to find requisite finance from within the country.

FINANCE FOR AGRICULTURE & INDUSTRY

The crux of the problem is thus internal resources and striking a proper balance between consumption and savings in the increased national income. The Governor of the Reserve Bank explained in his speech at Madras that the essential points of the economic policy in India today were to raise the maximum resources from within

the country and to follow a correct monetary policy which would prevent inflation. He went on to say that the monetary policy had to be geared to a rapidly developing economy in which deficit financing necessarily played an important part. He said "the policy had, therefore, to be at the same time expansionary as well as restrictive, the expansion and contraction being operated on different sectors of the economy". It can be agreed that the policy has borne fruit in particular directions and the Reserve Bank must be congratulated on its achievements. The Governor of the Reserve Bank is doubtless aware, of the need of expanding credit to agriculture and industry in the coming years which is vital to achieve a level of production essential for equilibrium and progress in our economy. He has recently held meetings at Calcutta and Bombay to ascertain the nature and extent of the requirements.

The agricultural and industrial production, though higher last year, is showing signs of weakness. A continued accelerated rate of production is a prime necessity whether to feed the people or to give them gainful occupation and improve their standard of living or to check inflationary upheavals from dislocating the economy. The expansion of rural credit is appreciable in recent years but considering the needs of the cultivator for increased production, the efforts in rural credit expansion need to be greatly stepped up. I mentioned last year also, and I again repeat this year, that the services of commercial banks can be profitably employed in this field. This will also help commercial banks to have branch banking in rural areas.

The financial resources accumulated in the past with the industry are now largely exhausted. The heavy taxes have further affected their capacity to make available enough funds from current profits. For the efficient and effective utilisation of the foreign finance has to be raised. The Refinance Corporation that has been organised is likely to commence working within a few months with certain resources. These investment corporations are able to supply credit to industry only to a limited extent, but not to the full extent of the requirement. The monetary authorities must evolve a machinery for meeting the needs of internal resources for development. The services of commercial banks individually or through a consortium of banks may be utilised to meet this situation. We have a heavy task. With his thorough grasp of the fundamental aspects of our monetary problems and broad vision, I am sure Mr. Iengar will contribute to the initiation of a policy that will vitalise our economy.

PLAN EFFORT AND FISCAL POLICY

Shri Nehru in his Budget Speech stated: "The crisis through which we are passing is a crisis of development, a crisis of resources. We must try to produce more, export more, and save more to find the resources for implementing the Plan." The public also in all walks of life are deeply, concerned about the implementation of the Plan. The success of the Plan naturally depends on the creation of conducive conditions for development and the avoidance of policies and forces that debilitate the efforts towards the achievement of our objectives. It is by this standard that we have to assess the merit or otherwise of the fiscal and related policies of the Government. Are the efforts of the Government in accord with what has been laid down in the Plan? To what extent have the fiscal policies pursued militated against the cherished objectives?

The second Plan estimated the total receipts of the Central and State Governments over the five years period at Rs. 5,000 crores at the rate of taxation prevailing in 1955-56. It also estimated that non-development and maintenance expenditure under development

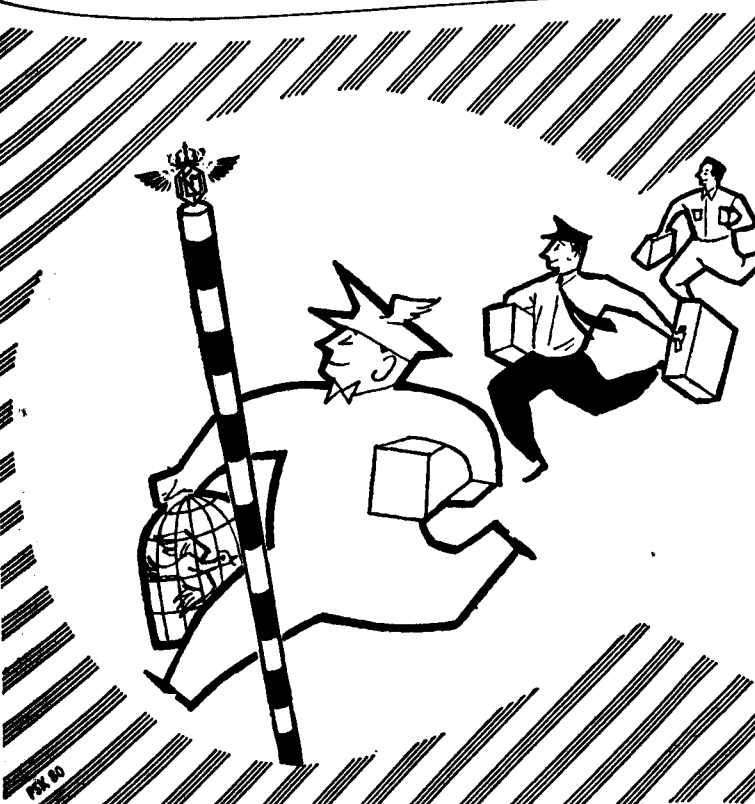
heads would take up Rs. 4650 crores leaving for Plan expenditure the sum of Rs. 350 crores. To be able to obtain this, it was stressed that a careful watch would be necessary on non-development expenditure. On this assumption, they calculated further resources of Rs. 450 crores by way of additional taxation to make up Rs. 800 crores for development expenditure under the Plan. These estimates do not seem to have been followed by Government in implementation. Against the estimated annual average expenditure of Rs. 930 crores plus Rs. 200 crores on account of current development plan expenditure making a total of Rs. 1,130 crores, the estimated expenditure during 1956-57, 1957-58 and 1958-59 is of the order of Rs. 1,126 crores, Rs. 1,390 crores and Rs. 1,500 crores respectively. The estimated revenue during these years has gone up to Rs. 1,167 crores, Rs. 1,356 crores and Rs. 1,500 crores as compared to an average income of Rs. 1,090 crores including the revenue through additional taxation estimated in the Plan. Obviously, the calculation of resources for the development under the Plan has been upset by the non-development and non-plan expenditure in both the Centre and the States having gone very high. The States have continued to show budgetary deficits. The Centre in their hunt for funds embarked upon the policy of a series of new taxes which, without helping to stimulate and aid Plan efforts, were effective in undermining the capacity and stifling the initiative of the investor. This created many problems affecting particularly the value of savings and in consequence the psychology of the people to save which is of cardinal importance for the successful implementation of the Plan. The value of the Government securities fell to the lowest level in the past many years. The prices of Preference Shares and Ordinary Shares were subject to sharp falls.

The drop in the price of Government and Trustee Securities, Preference Shares and Equity Shares was to the extent of 2 per cent, 9 per cent and 16 per cent respectively. The level of prices in 1957 was substantially lower than that in 1951. The average price index of Government and Trustee securities, Preference shares and Equity shares in 1957 was 89.4, 76.7 and 104.5 against 96.2, 98.6 and 112.9 in 1951 respectively. It is relevant to note here that during the first Plan and the first two years of the second Plan, very heavy industrial expansion has been achieved and most of the companies ploughed back their profits in-

creasing the production and earning capacity of the units. This should have been represented in the appreciation of the value of the investments. Only this would have given the encouragement to ploughing back and created the confidence as regards the benefit of such ploughing back to the investor and to the development of the country. As things are at present, the depreciation in equity share values as a direct consequence of Government's fiscal policy has wiped out the savings of the investors and has given a shock to the confidence of the investor and the industrial management in the policies of the Government. The Government's policy has not been such as to keep the value of the people's savings intact. Obviously, the people can be induced to save only if they are assured that the value of their savings will appreciate and not depreciate. What confronts the economy today in this respect is really a serious situation.

The Government and the Planning Commission should make an urgent study of the effect of last year's fiscal policy on the implementation of the Plan. They should see how far the policy has been helpful towards the achievement of our objectives. Saving is the fulcrum of the Plan or for any development and if the psychology to save is affected as has been done by the last year's fiscal policy of the Government, it is essential in national interests to adjust the policy or even to reverse it. The withdrawal of the compulsory Deposits Scheme, the reduction in the excise duties on cotton textiles and the new variations regarding development rebate are indicative of an awareness on the part of the Government of the serious repercussions of their policy and I hope this flexibility will be extended further to smoothen the path towards the successful implementation of the Plan and rousing the enthusiasm of the people in maximising savings for the fulfilment of our objectives regarding greater employment and improved living standards. To this task, the new Finance Minister, Shri Morarji Desai brings his mature experience and sober analysis of the country's economic and financial problems. I have every hope that under his able stewardship of the portfolio of Finance we shall progress without setback.

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



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Company Meeting

Chairman's Speech On The Sixtieth Annual General Meeting Of THE EAST INDIA DISTILLERIES AND SUGAR FACTORIES LIMITED

I extend to you all a cordial welcome to the Sixtieth Annual General Meeting of the Company. During these sixty years the Company has moved from strength to strength and occupies today an outstanding position in the economy of the country. Among the notable achievements is the absorption of Messrs. Parry & Co., Ltd., its erstwhile Managing Agents. This deal has amply justified itself in the scale of profits recorded during the year under report. As a Director-managed company with a majority of Indians on the Board, its potentials for service are great indeed and with your goodwill and support, I have no doubt, we shall acquit ourselves with credit in the spacious days that lie ahead of us.

The second Planning Period with its emphasis on industrial development is designed to give a balanced economy to the country by opening up profitable avenues of employment to many who are now crowding the agricultural sector to its detriment, and a note of urgency is imparted to this much needed reform by the steady growth of population in terms of millions every year. We have adequate knowledge, the requisite experience and a well-knit organisation to make a worthwhile contribution to the build-up of the new economy. The only limiting factor is the resources at our disposal.

In my address to you last year I mentioned to you that we were exploring various alternatives for reinforcing the capital structure of the company and that we would be coming to you presently with proposals to this end. We had almost completed arrangements for a fresh issue of substantial capital with assured response but we were thrown off our stride by the new taxation proposals introduced last year. In addition, as a sterling company we had to face further difficulties following constriction and control of exchange facilities. In the result much to our regret, we had to put into cold storage the proposals we had canvassed and wait on future developments.

I recognise that Government have set their hands to a stupendous task in the Planning they had programmed. Resources, on a scale, hitherto unknown and even undreamt, had to be found to service them. These can only be raised by tax or loan and the discerning public will easily recognise that there is an intangible link between the two as high taxation is bound to react on the savings potential of the community. In the marginal economy that prevails, the limits of taxation lie to the surface. Any attempt to overlook or override them may well provoke a chain reaction with prices spiralling and wages chasing them. Apart from these direct results, I am afraid, a psychological malaise may well set in, inducing a crisis in confidence, with effects fundamental and far reaching in servicing the new deal. It is not my desire or purpose to hold an inquest on the particular measures of taxation that have been placed on the Statute Book. In my view there are quite a few which certainly call for re-thinking. I only hope that no considerations of prestige nor short term advantage will block the way to a reasoned review of these measures.

Reverting to what we are directly and immediately concerned with today, the Report of the Directors and Accounts for the year ended 30th September, 1957,

together with explanatory notes, have been in your hands for the statutory period and with your permission I shall take them as read. Last year I expressed the hope that it may be possible to present these accounts earlier, particularly with a view to ensure payment of dividends within the current fiscal year ended 31st March, 1958. On second thoughts I am not sure this is altogether an advantage. The budget of the Union Government is presented on the last day of February every year and it is better to know what additional burden by way of taxation is imposed in the budget before recommendations are made in respect of dividends. Although we have been spared any further imposts this year, you will see from the Directors' Report, a very heavy burden of retrospective taxation has been cast on the Group by the provisions of the Indian Finance Act (No. 2) of 1957.

This is because the Bill was not introduced until May 1957 and was passed into law later in the year; it was not, therefore, possible for your Directors to know prior to the publication of the Report and Accounts what additional taxation might thereby be incurred. Under our present assessment procedure I doubt if there is any way to avoid this retrospective effect, even though we were to alter our accounting year to coincide with the official year which, incidentally, it may be pointed out, cuts across the sugar cane-crushing season. On balance therefore it seems to me it is better to allow things to continue as they are at present. So far as dividends are concerned, shareholders have been saved any possible embarrassment by the declaration and payment of a second interim dividend of 10 per cent within the current fiscal year. There was a fugitive hope that the current budget might offer some relief in corporate taxation. This has proved a forlorn hope. You will notice that this year the Group have had to pay out as much as £423,069 by way of tax! A drain of liquid resources on that scale, I need hardly say, is bound to react adversely on the development potential of the Company. The only relief announced in the Lok Sabha was in respect of compulsory deposits. This offers no relief to this company as it had already been exempted from such deposits when we established that all our available resources were usefully employed in the business. In view of the heavy burden of taxation and the need to conserve liquid reserves under present trading conditions, I regret your Directors are not able to recommend any further dividends on the Ordinary Share Capital of the Company for the year ended 30th September, 1957.

Before proceeding to make any comments on the trading and industrial activities of the Company, may I say a word about the Group's organisational set-up. I referred last year in my speech to the manner and measure of Indianisation we had attempted and achieved. Last year we had, on our Board of seven, a majority of Indians namely Sri. V. Ramakrishna, Dr. U. Krishna Rau and Sri R. Venkataswamy Naidu besides myself. Dr. U. Krishna Rau resigned from the Board when he was elected Speaker of the Madras Legislative Assembly and I take this opportunity to record our appreciation of his services; in his place we have been fortunate to secure the services of Sri T. S. Krishna whose knowledge and experience have already proved of immense value to the Company. On the

May 2, 1958.

Parry Board we have one more Indian Sri K. P. Ram-sami, in addition to the two already there, namely M/s. S. Krishnamurti and John K. John. Below the Board level, as opportunities occur, we are placing in positions of responsibility Indian nationals with the requisite qualifications and experience. I need hardly add that British employees can rest assured that their claims for preferment will in no circumstances be overlooked. In this context I may mention that both the sugar factories of the Deccan Sugar & Abhkari Co., Ltd., of which Messrs. Parry & Co., Ltd. are the Managing Agents and whose service pool provides all staff requirements, are now entirely run by Indians; it is to their credit that they have measured up fully to the responsibility vested in them. In respect of the coveted staff, recruitment is largely confined to promising Indians and we are satisfied there is ample material available for our purposes. There is no need to refer to recruitment at lower levels as they are all Indian.

Turning now to our trading sector, distribution and sales are largely handled by Messrs. Parry & Co., Ltd. I must confess that import restrictions have to some extent retarded the rising tempo of our trading activities. To offset these we had concentrated on maintaining and improving our connection with products of Indian manufacture and the results proved heartening. For instance our sales of engineering products manufactured in India increased substantially, especially small diesel oil engines and electric motors and transformers. Our light engineering works at Kidderpore was able also to double its output of tipping wagons and various ancillary items. In addition negotiations are afoot for enlarging the range of our selling agencies of products of Indian manufacture and if our expectations are fulfilled, I believe, we shall be able to cover more ground than we have lost by reason of restriction on imports. We already possess a well-set and widespread organisation in this country for rendering incomparable agency and sales service and by way of abundant caution we are engaged at the moment in broadening and deepening the structure of our organisation, especially in Northern India, with a view to service the new Indian agencies. It is this new approach that has enabled the company to avoid any major retrenchment which otherwise might have become a matter of compelling necessity. I may say that in facing up to the needs of the situation we are moving not merely with care and caution but also with courage and confidence.

Next, let me turn to the industrial activities of the Company. You will be glad to hear that our sugar factory at Nellikuppam had a record crush and, with improving recovery, comparatively disease-free cane, and a good mixture of cane strains we were able to achieve quite a successful season. I may take this opportunity to compliment the factory staff for their vigilance and foresight and I greatly appreciate also the willing co-operation readily forthcoming from the cane growers. I am afraid the sugar industry as a whole is however heading towards a crisis. The all-India production for 1957-58 season is expected to be 20.60 lakhs of tons. There was an all-India stock carry over of 4.59 lakhs tons on the 31st October, 1957. Thus the total available supply during the current year is likely to be of the order of some 25 lakhs of tons. Internal consumption has not kept pace with increasing production. It is still at the level of about 19.5 lakhs tons. This may involve a carry over of over 5 lakhs tons on 31st October this year. I need hardly say this is a heavy stock to carry forward into the next season and must inevitably cause pressure on internal selling prices at a time when the industry has not found it possible to pass on to the consumer the full incidence of the 100 per cent increase in excise duty levied in May 1957. Thanks to fortuitous circumstances we were able to make a promising start in our export trade of

sugar but conditions have altered since and world prices have come down in marked measure. The present level of world sugar prices is round about £35 per ton while the average cost of cane alone per ton sugar in India is about Rs. 408 per ton!

The Government apparently do not seem to be content to leave cane prices even at this level. Some of you will have seen the Government of India's press note announcing a price linking or profit sharing formula. Details of this have not yet been published but a note of caution in this behalf is indicated. The urgent need at present is to devise a method of payment for cane which will enable the ryot to benefit from growing sugar rather than large tonnages of fibrous matter. In these circumstances any move to increase the flat rate payment must be regarded as a retrograde step. Again, a higher price for cane that is delivered to sugar factories means an even greater difference than currently exists between the earnings of a grower who supplies to a factory and the grower who has not this privilege. Lastly, but by no means least, is the direct bearing of increased payments for cane on the fortunes of the South Indian factories. I wonder if sufficient thought has been bestowed on the reactions that may register in the agricultural sector; more and more land will be diverted to cane production as the profits of cane cultivation will take the lead in agricultural economy. This surely is a matter for anxious consideration in the context of sugar production and consumption in the country as well as shortage of food supply in this country. Apart from this, Government stand to lose considerably revenue in corporate taxation when the profits of the mills go down and the amount thus lost gets distributed in the agricultural sector. Without taking an overall view if Government yields to pressure from sectional or regional interests in this behalf, I must point out that it will introduce one more defeatist factor in the build-up of an export market for sugar. Already at the current level of world prices, the loss on export for every lakh of tons would be of the order of 2½ to 3 crores, after making due allowance for full drawback of excise duty and cane cess on sugar exported; and sugar must be exported if the pressure on the internal market is to be relieved. Various proposals for this purpose are being canvassed by the Indian Sugar Mills' Association in consultation with the Government. You will be glad to hear that Mr. P. Hadfield, the Deputy Managing Director of our Company is now the President of the Association. My sympathies are with him in the difficult task that lies ahead of him. It is not an easy problem to resolve and the intrusion of fresh complications in such resolution must be deprecated. Alongside of this, another disquieting symptom must also be taken note of. There has been a great stimulus in the production of Khandsari sugar and the total tonnage produced in this country has moved up from one lakh tons to three lakh tons and bids fair to double itself again next year unless corrective action is taken immediately to save further investment in a wasteful economy. Khandsari sugar has neither cane cess nor excise duty to pay. Owing to poor extraction it registers a loss to the country at two-thirds its price, it is spoiling the pitch for the sugar industry. Altogether the outlook before the industry is frankly disquietening and on the way in which the outstanding problems are solved will depend the future prospects of the industry.

I will now deal with the expanding fertiliser business of our Company. The integration of our fertiliser interests was completed last year and during the year under review both manufacture and sales have greatly advanced. Sales of fertilisers have moved up from £1½ million sterling to £2¼ million and imports of sulphur and phosphate from £457,000 to £1½ million. This remarkable progress reflects largely the growing consciousness on the part

of the agriculturists of the beneficent results accruing from judicious application of fertilisers. We have done propaganda for many years to build up this atmosphere and latterly Government have also come to recognise the value and importance of fertilisers in food production. It is much easier and much simpler to raise a larger crop on land already under the plough than to open out new land for cultivation. Indeed the real remedy to cover the basic needs of the very large and growing population in the country lies in intensive cultivation with suitable fertilisers and the potentials in this direction are most promising if it is recognised that the yield per acre in the country is much smaller than what is raised in other countries by scientific cultivation. Government have on hand large fertiliser projects, at Bhakranangal and Neiveli for example, but against the expanding needs of the country fertiliser business offers quite a promising adventure to private enterprise and our company which has played no small part in the build-up of the fertiliser business of the country is naturally anxious to play its allotted role in this direction. To this end we have been planning to set up a factory at Bezvada for fertilisers to cover the needs of the Krishna and Godavari delta. The Andhra Fertilisers Private Ltd. was integrated last year with Messrs. Krishna Industrial Corporation Ltd., as equal partners to establish a superphosphate manufacturing unit. Side by side with this manufacturing unit, the E.I.D. proposed to set up a factory for mixing fertilisers. The mixing plant has been set up and will shortly go into production with ingredients brought from other factories. There has however been some delay in the establishment of the superphosphate manufacturing unit and your directors have in consultation and agreement with Messrs. Krishna Industrial Corporation Ltd., revised the basis of operation in such a way that the manufacturing unit which is to be established next door to the mixing plant will be wholly owned and operated by the E.I.D. and Krishna Industrial Corporation Ltd., will set up independently another manufacturing unit within the limits of the original licence granted. These arrangements are subject to Government approval which it is hoped will be forthcoming shortly, and it is expected that between these two units fullest co-operation in the matter of sales will prevail. In addition you will be interested to hear that another project for the manufacture of fertilisers is being seriously examined both in respect of technical and financial aspects and I hope by the time we meet next year, I shall have more to say about this.

Apart from Sugars and Fertilisers there is one other branch of our industrial activities which has grown from small beginnings to large proportions today and calls for attention in respect of its future development. I refer to our pottery works at Ranipet. This was originally started about 35 years ago as a subsidiary to manufacture acid jars to serve as containers for acids and chemicals. Reserve capacity was utilised for the manufacture of a range of bazaarware which found a popular market as years passed. During the war period when the imports of crockery were severely rationed and restricted, opportunity was availed of to enter that field also and later the manufacture of sanitary ware was also taken on hand. In the result what started fortuitously as a subsidiary has now developed to the proportions of an industry by itself. We have two kilns at our Ranipet factory and between them they have been trying to cover an expanding market. Production of all types of ware registered an increase of 30 per cent over the previous year. The emphasis in recent years has shifted to sanitary ware for which the market seems to be unlimited at the moment, with an export market in the Near East also awaiting exploitation. We can therefore no longer afford to neglect the potentials of a promising line of activity. We are no engaged in examination of the further investment called for to take advantage of the tide and we are also canvassing

the issue whether it can be usefully promoted as an independent unit like the Confectionary Company or given fuller scope to develop as a subsidiary of the Company. I will only add that we have quite a good margin on current sales and in respect of sanitary ware in particular we carry today a back log of orders covering six months production! I hope to report further progress in this direction when we meet next.

The Managing Agency side of our business has progressed satisfactorily and you will be particularly pleased to hear that Parrys Confectionery Ltd., which was the child of the E.I.D. has made remarkable progress. The Deccan Sugar and Abkhari Co., Ltd. has continued with its programme of modernisation of both factories to which I referred to last year; but unfortunately owing to shipping delays it was not possible to instal the new mill at Samalkot for the season. It is ready at site to be installed immediately after the season. The capital issue made by the Company to cover this expansion was fully subscribed by the shareholders. I value it as a vote of confidence in particular in the management of the Company. In Kerala in which State is situated the factory of Travancore Sugar and Chemicals Ltd., of which Company Parry & Co., Ltd., are the Managing Agents essential progress is satisfactory. In respect of the Pamba River Starch Co. (Private) Ltd., in which the E.I.D. are equal third partners with Messrs. Corn Products Co. (India) Private Ltd., and Travancore Sugar & Chemicals Ltd., I am afraid that mounting labour difficulties and political unrest are to some extent responsible for holding up further progress in the integration of the factory. Our American partners have called a halt until conditions improve and until there is a relaxation of the terms proposed by the Government of India over the question of loan capital for the purchase of plant. Finally, progress in the erection of the factory of Canvery Sugars and Chemicals Ltd. has been satisfactory.

I believe I have covered almost every aspect of our organisational, industrial and trading activities and the overall picture is certainly heartening. I commend the Report and Accounts to your notice and before formally moving for their adoption, I shall be glad to answer to the best of my ability any questions which any shareholder desires to put to me concerning them.

The Directors' Report and the Accounts for the year ended 30th September 1957 were unanimously adopted. Mr. C. R. Srinivasan, Mr. H. I. Wonfor, and Mr. T. S. Krishna were re-elected to the Board, and the Auditors, Messrs. Lovelock and Lewes, were re-appointed.

N.B.: This does not purport to be a Report of the Proceedings of the General Meeting.

THE EASTERN ECONOMIST

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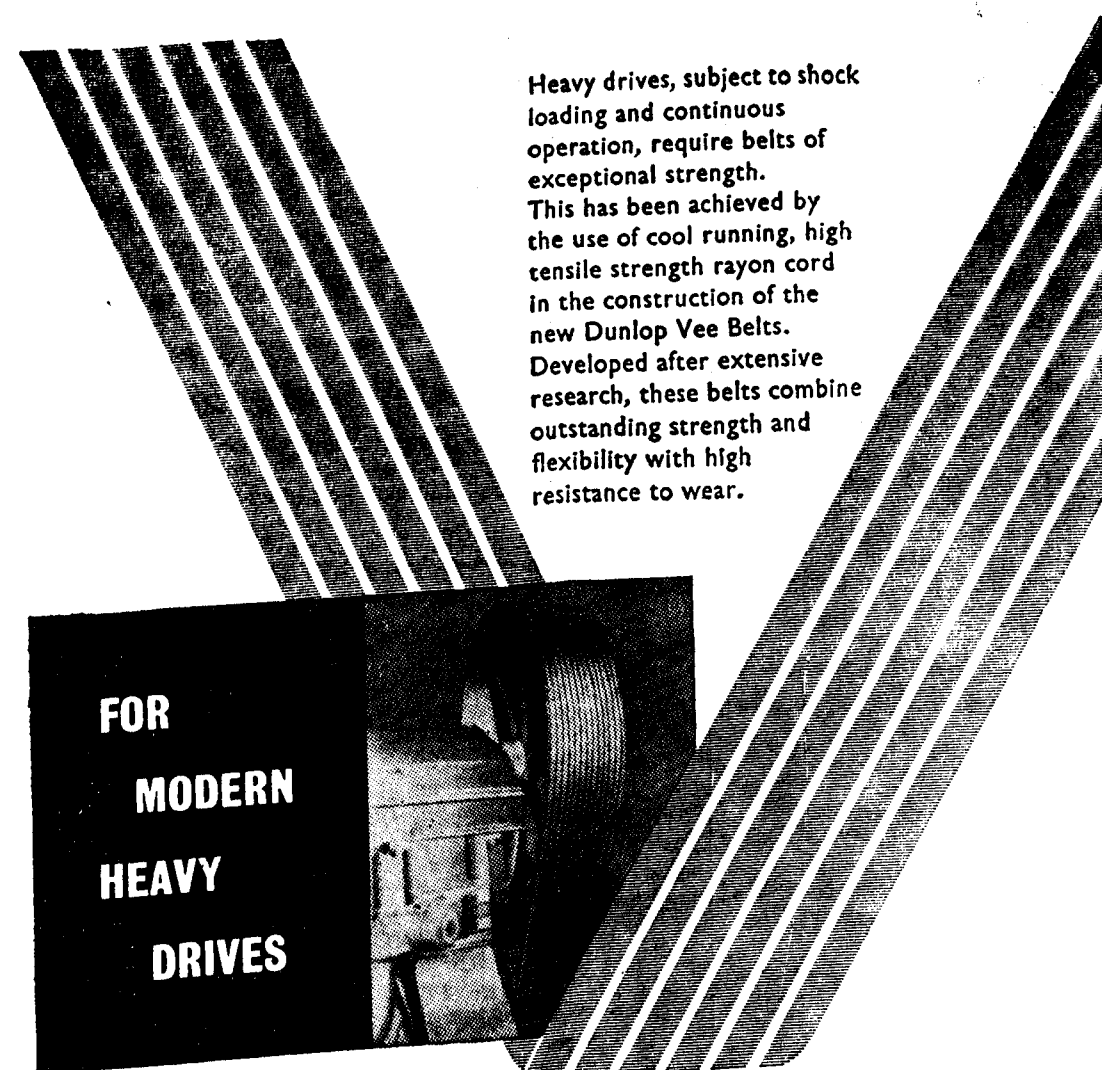
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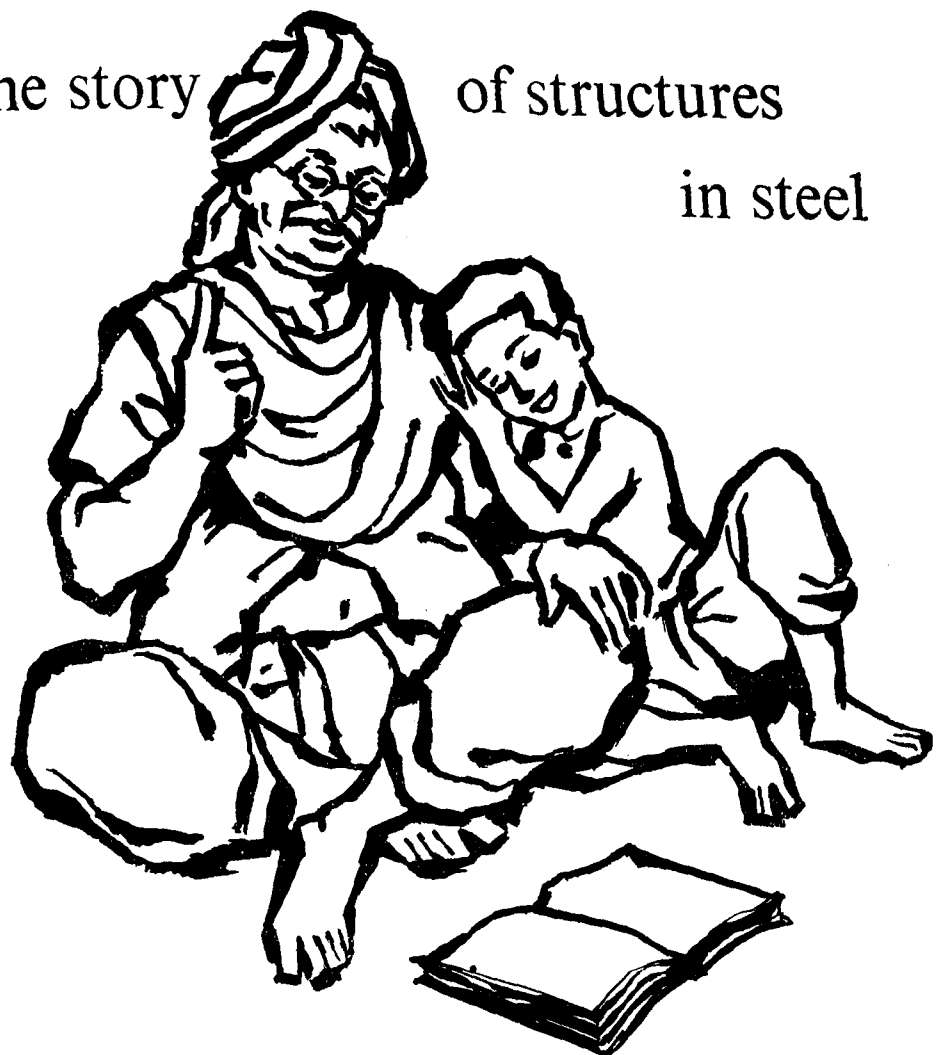
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COMMODITY NEWS AND NOTES

PRODUCTION AND EXPORT OF OILSEEDS

The production of five major oilseeds, viz., groundnut, castor, sesamum, linseed and rape-mustard, which stood at 50.76 lakh tons during 1950-51 reached 57.05 lakh tons during 1955-56 — an increase of 6.29 lakh tons during the first Five-Year Plan period. The production target for the second Five-Year Plan had been fixed at 75.50 lakh tons — an increase of 18.45 lakh tons over the production of 1955-56. The methods adopted to increase production were introduction of oilseeds extension schemes, multiplication and distribution of improved seeds, use of fertilizers and manures, plant protection measures, improved agronomic practices, double cropping, and inter-cropping with other crops. During the first year of the second Plan, the production of these seeds was 60.32 lakh tons, showing an increase of 3.27 lakh tons over the production in 1955-56.

It is also reported that the policy of the Government of India generally was to allow the export of vegetable oils rather than of oilseeds for two reasons — first, to promote the development of oilseeds crushing industry, and secondly, to have oil-rake within the country. It was for this reason that export of five major oilseeds had remained banned for some years. Some exports of hand picked selected groundnuts were, however, allowed because these were put to direct edible use and were not crushed for oil. As regards minor oilseeds, export of kardiseed was banned at present, while a small quota of 5,000 tons of niger seed had been allowed during the present licensing period, mainly on account of considerations of foreign exchange. Export of the remaining minor oilseeds was allowed as a decontrolled item. The policy in respect of vegetable oils was formulated after taking into account the domestic supply and price position. Export of edible oils, viz., groundnut oil, sesamum oil and

mustard oil was banned at present because of high ruling prices. The ban was imposed in the first half of 1956. Linseed oil and castor oil (non-edible oils) were licensed freely for export without any overall ceiling. Exports of cottonseed oil, nigerseed oil, and kardiseed oil were also permitted.

CONSUMPTION OF VANASPATI GHEE

The total approximate consumption of vanaspati in various States during 1957 was 282.6 thousand tons. This information was given by Shri A. P. Jain, Union Minister for Food and Agriculture, in a written reply to a question by Shri Ghosal in the Lok Sabha recently. The State-wise figures for vanaspati consumption, the Minister stated, were (in thousand tons):

Andhra Pradesh 3.7; Assam 8.3; Bihar 21.3; Bombay 50.0; Kerala 0.8; Madhya Pradesh 16.3; Madras 9.9; Mysore 5.0; Orissa 4.0; Punjab 39.0; Rajasthan 13.7; Uttar Pradesh 51.8; West Bengal 32.2; Delhi 26.3; and Himachal Pradesh, Tripura, Pondicherry and Andaman and Nicobar Islands 0.3.

SUGAR PRODUCTION AND STOCKS

According to the Indian Sugar Mills Association, the sugar production during the month of March, 1958, was 3,78,000 tons bringing the total production up to March 31, 1958, to 17,14,000 lakh tons. The corresponding figures for the 1956-57 seasons were 3,79,000 and 15,48,000 tons respectively. The off-take of sugar from factories during the month of March, 1958, was 1,72,000 tons as against 2,02,000 tons during the corresponding period last season. This brings the total despatches from factories up to March 31, 1958, including despatches for exports to 8,08,000 tons as against 8,37,000 tons on the same date last season. The total closing stock of sugar with factories on March 31, 1958, was 13,34,000 tons as against 12,35,000 tons on the same date last season.

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CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICE AND SECURITY PRICES

		Wholesale Prices (General Purposes Index)† Year Ended August 1939 = 100						Security Prices †† (1949-50 = 100)				
		Food Articles	Indus. Raw Matris.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.	
1947-48	..	306.1	377.5	291.6	286.4	456.2	308.2	..	..	..	..	
1948-49	..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..	
1949-50	..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..	
1950-51	..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..	
1951-52	..	398.6	591.9	374.4	401.6	721.8	434.6	..	..	..	..	
1952-53	..	357.8	436.9	343.8	371.2	614.1	380.6	90.1	..	87.3	94.0	
1953-54	..	384.4	437.7	359.2	397.4	686.6	397.5	90.4	101.1	87.3	95.6	
1954-55	..	339.8	436.2	350.3	377.4	612.4	377.4	90.5	100.7	88.4	112.9	
1955-56	..	313.2	419.8	338.2	372.9	546.4	360.4	90.9	100.8	87.3	121.6	
1956-57	..	383.5	591.9	402.3	384.6	559.3	414.0	90.5	100.1	82.9	121.2	
April 1957	..	408.3	514.7	400.0	384.3	567.1	422.1	89.3	99.0	78.6	106.9	
May " c	..	419.3*	536.3	406.5	387.7*	572.2	431.2	89.9	99.1	78.4	104.5	
June " c	..	433.2*	541.4*	413.0	382.4	578.0	439.2	89.5	99.0	77.6	102.6	
July " c	..	439.8	544.4	413.3	392.3	637.1	443.5	89.2	98.7	76.7	105.5	
August " c	..	440.9	530.6	411.2	392.7	643.3	441.8	89.0	98.8	75.6	103.1	
September " c	..	424.1	525.3	409.1	394.7	644.0	435.9	89.0	98.0	74.0	99.3	
October " c	..	412.1	514.3	406.1	394.5	645.9	432.8	89.0	97.7	73.6	97.4	
November " c	..	419.5	535.2	406.7	391.0	660.6	434.7	89.1	97.7	73.3	98.7	
December " c	..	406.3	508.2	400.1	388.9	677.4	425.0	89.1	97.6	72.6	97.2	
January 1958	..	477.2	566.4	396.8	387.3	646.9	423.1	89.1	97.3	71.4	95.9*	
February " c	..	399.5	491.8	390.4	386.7	630.1	416.6	89.2	97.2	71.3	96.5	
March " c	..	403.2	490.3	391.0	385.4	630.2	416.6	89.3	97.2	70.9	96.5	
29-3-1958	..	407.7	496.1	390.9	385.0	604.0	418.8	89.4	97.2	70.4	97.9*	
5-4-1958	..	404.4	496.3	391.8	387.7	606.0	418.8	89.4	97.2	70.5	98.8	
12-4-1958	..	406.2	504.4	393.2	387.5	604.2	420.7	89.5	97.2	70.5	98.8	

†Economic Adviser's Series.

c Average of weeks.

††Reserve Bank Series.

Revised*

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

period	Bombay			Delhi		Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934 = 100	Alameda-bad July 1927 = 100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936 = 100	Ludhiana†	Jamshedpur†		
1939 (Aug-Dec.)	103	—	—	—	—	106	104	—	106	—	—	—	—
1948	288	303	243	132	339	471	372	140	309	168	136	134	—
1949	292	307	248	132	348	478	377	151	323	164	138	138	—
1950	298	313	257	132	349	434	372	153	325	165	145	138	—
1951	314	330	261	142	370	451	391	168	334	167	160	144	—
1952	321	337	250	143	351	441	380	150	330	161	154	141	—
1953	346	363	275	140	346	453	387	151	351	147	156	146	—
1954	342	359	244	138	327	408	373	139	341	148	140	138	—
1955	322	338	218	130	321	371	364	133	321	134	135	132	—
1956	338	352	244	142	347	424	397	151	356	152	148	145	—
1957	352	368	259	150	364	448	422	162	375	167	158	152	—
1957 May	346	362	257	151	352	441	420	163	369	157	156	150	—
June	352	368	269	152	371	446	423	168	373	159	156	155	—
July	358	374	263	152	371	459	424	165	375	159	164	155	—
August	359	375	265	155	375	468	427	163	373	157	166	156	—
September	357	373	262	149	378	464	426	160	372	156	167	157	—
October	356	372	260	149	378	461	429	162	375	155	166	156	—
November	365	383	265	148	378	457	431	165	391	156	168	157	—
December	365	383	257	145	375	443	432	165	390	154	166	156	—
1958 January	362	381	254	144	368	434	435	162	387	151	166	153*	—
February	361	380	248	143	364	427	434	159	387	149	163	153	—
March	—	—	—	142	—	427	—	—	385	—	—	—	—

† Base 1944 = 100.

* Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	25-4-1958			18-4-1958			11-4-1958			4-4-1958		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola) ..	114.62	113.22	113.87	114.12	112.91	113.46	113.62	111.16	112.30	111.75	110.41	110.8
Silver (per 100 fine tolas)	200.37	198.12	199.05	201.94	198.56	200.36	198.44	196.06	197.48	198.06	194.56	195.1

May 2, 1958.

THE EASTERN ECONOMIST

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U.S.A.'S DIRECTION OF TRADE 1954-56

Countries	Exports			Imports		
	1954	1955	1956	1954	1955	1956
Canada	2,767.2	3,210.2	3,973.2	2,396.3	2,673.1	2,912.4
Mexico	634.0	705.0	841.5	353.5	415.7	417.9
Cuba	429.3	451.1	511.5	402.0	422.6	457.4
Netherlands Antilles	63.1	56.7	80.0	164.7	216.5	243.4
Argentina	122.7	148.0	212.6	103.0	126.0	134.1
Brazil	456.0	240.5	296.2	681.7	632.5	744.5
Chile	74.9	91.0	154.5	198.1	202.0	237.8
Colombia	343.3	331.5	315.2	506.5	442.2	409.5
Peru	97.8	120.4	159.0	108.9	120.0	144.7
U.K.	691.9	926.4	904.4	501.3	616.1	773.6
Belgium-Luxembourg	270.0	318.9	432.2	191.8	242.2	303.5
France	332.5	358.5	558.4	157.3	202.2	235.9
Germany Federal Republic	493.7	595.3	783.5	278.2	366.2	494.3
Netherlands	423.2	479.2	564.7	167.6	159.3	178.9
Sweden	118.8	161.9	182.0	75.6	84.9	109.0
Switzerland	154.4	163.7	220.1	145.0	147.1	179.3
Italy	305.5	355.8	532.4	141.5	180.1	216.2
India	161.6	188.1	267.5	200.1	221.4	205.6
Indonesia	71.4	74.7	140.2	166.7	211.9	190.9
Japan	679.9	647.8	894.6	279.8	431.9	557.8
Malaya and Singapore	30.8	35.6	46.4	168.7	235.1	226.3
Philippines	325.7	340.1	318.8	262.5	253.3	257.2
Australia	189.9	201.6	178.5	118.7	127.8	144.9

PRODUCTION, IMPORT, EXPORT AND CAPITA AVAILABILITY OF CLOTH IN INDIA

Year (1)	Population (millions) (2)	Mill made (million yds.) (3)	Hanklooms (million yds.) (4)	**Powerlooms (million yds.) (5)	Import (million yds.) (6)	Total of columns 7 = (3+4+5+6) (million yds.) (7)	Export (million yds.) (8)	Deliveries for other purposes (million yds.) (9)	Availability for civil requirements (million yds.) 10 = (7-8-9) (10)	Per capita availability (yards) (11)
1948	349	4,319	1,063	196	36	5,614	308	27	5,279	15.1
1949	353	3,904	1,198	220	94	5,416	466	39	4,911	13.9
1950	357	3,665	805	148	7	4,625	1,120	27	3,478	9.7
1951	361	4,076	850	157	9	5,092	823	31	4,238	11.7
1952	365	4,598	1,109	204	5	5,916	602	39	5,275	14.4
1953	369	4,878	1,200	221	5	6,304	716	22	5,566	15.0
1954	373	4,998	1,318	243	6	6,565	956	23	5,586	15.0
1955	377	5,094	1,480	273	6	6,853	873	29	5,951	15.8
1956	381	5,306	1,509	278	13	7,106	804	27	6,275	16.5
1957	385	5,317	1,643	303	12†	7,275	795*	27	6,453†	16.8
1958 (Jan.)	385	437	171	32	1†	641	53*	2	586†	—

Note: The carryover of stocks of cloth from year to year has been ignored in computing availability in column 10.

* Relates to Bombay Port only. ** Estimated figure. † Provisional.

Printed and Published by Devi Prasad Sharma at the Hindustan Times Press.
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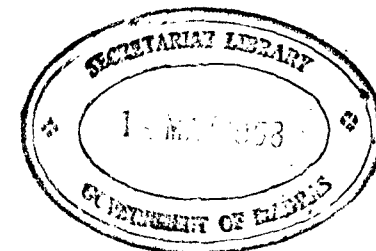
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The Eastern Economist

XXX. NO. 19.

NEW DELHI: MAY 9, 1958.

ONE RUPEE.

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The Perils of Pusillanimity

THE National Development Council, which met on Saturday and Sunday this week, had before it a memorandum of the Planning Commission invited, in spite of an appearance of workman-like realism, with pessimism. The estimate of resources available for the second Plan, according to this memorandum, would amount only to Rs. 4,260 crores, even with deficit financing up again to Rs. 1,200 crores. External assistance is assumed high at Rs. 1,038 crores. The residue of Rs. 2,022 crores as the Planning Commission envisages, is obviously insufficient and the memorandum suggested additional taxation of Rs. 100 crores, loans and small savings of Rs. 60 crores and economies in expenditure of Rs. 80 crores (or Rs. 240 crores in all) to bring the total up to Rs. 5 crores.

It is the opinion of the Planning Commission readjusting the Plan outlay to the level of 4,500 crores is obviously difficult, but it suggests it nevertheless. The National Development Council quickly took the hint, and decided to maintain the Plan at Rs. 4,800 crores and salved conscience by the introduction of two lists — a firm list of Rs. 4,500 crores and another, an

optional list of Rs. 300 crores, to be compiled on various considerations which are so arbitrary and unlikely to be effective that they might as well not be mentioned. To spend a vast amount of time and money on an indecisive debate on Rs. 300 crores whilst swallowing, at various stages of Planning, figures of Rs. 4,800 crores, Rs. 5,400 crores and now Rs. 4,500 crores, is uncommonly like straining at a gnat while generally swallowing a camel.

The truth is that the National Development Council, in its vague and somewhat arbitrary and even escapist manner, has struck at what is sound in the circumstances more than the experts in the Planning Commission. For one thing, the Planning Commission's estimates in the past have had no great reputation for accuracy, whether in the external or in the internal fields. This is not surprising in view of the absence of a substantial knowledge of the structure of savings inside the country or of trade in the international account. But there is, at the moment, a defect which is serious. The previous over-estimation of small savings and loans is no reason for its under-estimation at the present time. A remark-

able change has taken place in the Indian banking system in the last twelve months. Vast sums which hitherto seem to have bypassed the banking system appear now to be impounded. The total figure for loans and savings for the last two years of the Plan is fixed at only Rs. 440 crores. If deficit financing could be a little higher — and that it should be is argued later — there is no doubt that the banking system could take additional loans of the order of Rs. 75 crores for each of the next two years. In other words the target for loans and small savings might be raised from Rs. 440 crores for the last two years of the Plan to Rs. 590 crores. The basis for this optimism is the fact that liabilities of scheduled banks in the last twelve months have risen by nearly Rs. 300 crores; the latest figure of April 25, 1958, shows net liabilities at Rs. 1,511.40 crores against Rs. 1,220.52 crores a year previously. The banks have been able to increase their purchase of Government securities from Rs. 344.48 crores to Rs. 445.01 crores or by over Rs. 100 crores. This implies that they have had Rs. 200 crores in deposits which they have used otherwise. There is no doubt whatever, at least in the current year, they could contribute at least another Rs. 75 crores to Government loans.

A qualification needs to be added to the optimistic picture. In the year 1957-58 the large volume of deficit financing was certainly a vital fact in the creation of deposits. The Economic Intelligence Unit of the Indian Institute of Public Opinion has recently established that the correlation between outstanding treasury bills and deposits of banks in India is extraordinarily high. One might assume a wholly exceptional situation of the present time that about nine-tenths of an increase in Treasury bills appears, after some little time, in banking deposits. This suggests that, in order to maintain the level of deposits, deficit financing should not be unduly curtailed. There is also good reason for looking upon the

recession abroad and the softening of the price front at home as an indication that deficit financing figure of Rs. 283 crores contemplated in the last two years of the Plan is unduly low. At least another Rs. 150 crores is possible under this head. In other words, both from loans and from deficit financing the additional Rs. 300 crores could be raised.

In part the recommendation here made is political. It is wholly unwise, after any work at all has been started or even after substantial hopes of employment have been raised, for a summary rejection of a project merely because of a small overall shortage displayed by financial arithmetic, which has never proved itself convincing. Just twelve months ago, for example, the Finance Minister of India proclaimed that Rs. 900 crores was a limit to deficit financing. Today, the Finance Minister holds that Rs. 1,200 crores is moderately safe. These are not small differences in figures, and if a view like the one on deficit financing can be modified so readily, so should views on loans. In any case we shall know this month, with the floatation of the three large loans of the Central Government, whether this view that there is great buoyancy in the loan market, is, or is not, sound. *The Eastern Economist* would be willing to accept experience this month as providing the acid test of its buoyant view on loan resources.

In the last analysis it must be reiterated that the cutting of the Plan to meet the exigencies of the moment provides no solution of the problems we currently face. The Planning Commission is too disposed to act like an administrative department, instead of giving to the country the spacious look of unruffled optimism, which alone can carry this nation over the great depths of fear and inadequacy which threaten to enmesh it. It is good that the National Development Council has succeeded where the Planning Commission has failed.

Civil Liberties in India

MR. N. C. CHATTERJEE'S Presidential address to the Sixth All-India Civil Liberties Conference at Ambala last week deserves wide attention. That atmosphere of freedom which alone can sustain democratic institutions, he said, is not only inadequately developed, but also fast disappearing. The State and Union Governments tend to approach the problem of civil liberties from the standpoint of authority and administrative expediency and convenience rather than of individual rights and freedom. To the so many repressive laws enacted during the British rule in India, the ruling party has added new ones since independence. The ten amendments to the Constitution, in as many years, and the periodical renewal of the Preventive Detention Act are evidence of the growing power of Government. They confer powers upon the executive that are comparable to those enjoyed by Western Governments in times of war only. Mr. Chatterjee correctly remarked that democracy becomes mockery in a country which lived in a state of permanent emergency. Besides, the misuse of the Preventive Detention Act is more a rule than an exception. Proof of its misuse is provided by the fact that about 75 per cent of the detenus in the Punjab had to be released as a result of the review of their cases by the Advisory Board or on applications or appeals to the High Court or to the Supreme Court. Moreover, public meetings and processions have been banned in almost all the

important towns in India since independence. The rights of freedom of assembly and of speech have been curtailed. We have yet to devise a system which will ensure expeditious disposal of cases: prolonged detention of an undertrial is disgrace to our professions.

The situation is not getting better. In its desire to build a Welfare State, the ruling party believes itself justified in more regulation of social and economic life. "Today, a Minister has", Acharya Kripalani observed in his inaugural address with not a little justification, "more power than Charles I or Louis XIV". It was, therefore, unfortunate that whenever the Supreme Court or High Courts have declared *ultra vires* certain laws, the ruling party has hastened to amend the Constitution "so as to legalize the amendment of such unconstitutional laws".

Not satisfied by the enormous powers that it already enjoys, the Government sometimes proposes to set up administrative tribunals, independent of the ordinary law courts. This will remove, in the absence of a strong Opposition in the country, the only effective check on both the possible legislative despotism and executive tyranny. It might be argued, in favour of this innovation in the country's judicial system, that it would expedite the disposal of cases of a technical nature. But to take an illustration from elsewhere, the experience of the

United States does not confirm this. To the delay in the disposal of cases, the administrative law has added "wooden, petty-fogging kind of mechanical jurisprudence" administered by "doctrinaire bureaucrats". In no circumstances, therefore, would it be advisable to whittle down the powers of the law courts and weaken the foundations of the nascent Indian democracy.

Unlike as in most presidential addresses, Mr. Chatterjee's contained some practical suggestions to combat the encroachment on individual rights of the modern Leviathan—the Welfare State. He advised people to treat the issue of civil liberties on "a non-party basis" and "create a climate of public opinion which will not tolerate any further abridgement of personal freedoms and Fundamental Rights." He also pleaded for the establishment of a vigilance committee in each district on the lines of similar bodies set up by the American

Bar Association to resist encroachment of basic human liberties and rights. These committees should, Mr. Chatterjee said, investigate into the causes of delays, agitate for speedy trials, and provide free legal aid to the poor. A suggestion might be made in this connection. Why should not a new service under the Attorney General or Advocate General replace the present system of Prosecuting Sub-Inspectors? As the latter are subordinate to the Superintendent of Police, they act as police lawyers and not as Public Prosecutors. This is not only objectionable, but also undemocratic. The earlier this system is changed, the better it will be for civil liberties. It will also, according to one estimate, incidentally reduce nearly 25 per cent of the pressure on the courts. The need for such safeguards is manifest and needs no emphasis in a liberty-loving country. Are we really not as liberty-loving as we would have the rest of the world believe?

The Gift-tax Bill

SECOND thoughts on the Gift-tax Bill at the Select Committee stage had a sobering effect on many of its rigorous provisions. The Bill as it has been passed by the Lok Sabha now shows decided improvement upon the original. It is idle to claim that the gift-tax comes as a logical final component in the integrated system of direct taxation. The piecemeal manner in which the scheme of direct taxation has been refashioned deprives it of the essential element of integration or coherence. The controversial nature of the major provisions of the Gift-tax Bill has been brought to the surface in a conspicuous manner by the report of the Select Committee. Fourteen members, representing practically all the shades of opinion in the House, have, between them, appended as many as 10 notes of dissent. This is in itself sufficient proof of the need to proceed with this new tax with caution. One section of the dissentients has protested against the modifications suggested by the majority on the ground that the expected revenue from the tax would decline by one-third of the budget estimate of Rs. 3 crores. This is to take a myopic view. The revenue aspect of the tax is professedly far less important than its preventive purpose. The function performed by gifts in our social and economic set-up must not be subordinated to considerations of a fractional addition to the public fisc. Its other purpose of plugging loopholes in direct taxes will be achieved more by efficient administration of a liberal law than by a rigorous piece of legislation which may look ideal on paper but prove ineffective in operation.

It is significant that the Committee accepted the broad view that amendments to the Bill ought to take the form of liberalisation. It has incorporated a limited number of modifications which were patently essential. The rule of aggregation of gifts made during the five years preceding the year of assessment rendered the incidence of the tax very heavy. The Committee recommended deletion of the rule. In the result the tax will be computed on the total amount of gifts in the year in respect of which the tax liability is incurred. Gifts for education of children, customary gifts made out of the privy purses, *bhondan* and *sampattidan* have been brought within the category of exemptions, subject to specified ceilings in most cases. Gifts by employers to employees under certain conditions have also been

exempted. This liberal treatment could very well have been extended to retirement benefits. The discrimination against private limited companies in the matter of their competence to make tax-free gifts has been retained in spite of the Committee's recommendation to the contrary.

It will certainly be erroneous to consider the change in Clause 4(C) of the Bill as removing the hardships of the original provision on business concerns. This sub-clause laid down that a debt, contract or other actionable claim or interest in property, if released, surrendered or discharged, would be treated as a gift, unless it is proved to the satisfaction of the gift-tax officer to be irrecoverable. The amendment provides exemption to such releases or surrenders if they are *bona fide*. The *bona fide* character will still remain a matter of judgment or discretion within the authority of the gift-tax officer. It does not dispense with the necessity of proof. There will undoubtedly crop up numerous cases from time to time in which a business concern will be penalised by having to pay the gift-tax without valid reason. It is a far-fetched idea to connect discharge or surrender of such claims with tax evasion. In a normal case the sacrifice involved in such a discharge or surrender will outweigh the gain from escaping the tax.

The Bill as it has been passed leaves charitable institutions not covered by Section 15(B) of the Income-tax Act without any adequate relief. The only concession which it has shown to them is to raise the limit of exemption of gifts in their case to Rs. 500. Section 15B comes down harshly upon this class of institutions on the ground that their benefit is restricted to a particular religious community. It is to stretch reasoning too far to brand all charitable institutions of this description as anti-social or anti-national. If gifts through the channel of charity are to be encouraged to flow in a large volume, the choice of the subject of the gifts had best been left to the donor. In reality, most of these institutions are communal merely in name; they are genuine charities inspired by a humanitarian purpose. Charitable institutions in this country provide, in a deep sense, a sort of social security and a source for welfare activity. It will be decades before the public exchequer assumes full responsibility for these activities. In the mean-

time, it should be the objective of law to protect and encourage them.

The noble tradition of charity through gifts to institutions rests on the high sentiment of sharing prosperity with the economically vulnerable sections of society. This is the essential and traditional function of gifts in India. The gift-tax seeks to plug possible loop-

holes to evade estate duty and the other direct taxes. Its justification cannot be denied. But even in its amended form, the Bill gives an unmistakable impression that there is in its scheme an obsession with this partial abuse. Certainly it is preposterous to regard gifts as suspect unless the contrary is proved. Like some of the recent deterrent fiscal legislation; this Bill too will need further modifications.

A Report on Oil

THE Estimates Committee's report on oil exploration and development of oil industry is a document that should do credit to the objectivity and capacity for fair appraisal of this important body. By focussing public attention on certain hitherto unknown or not-too-well-known aspects that are germane to the development of one of the primary sources of energy, it has tried to show the impediments that arrest its growth. In view of its strategic bearing in the national economy, it is only proper that the Industrial Policy Resolution of 1956 should have provided that the future development of oil should be the exclusive responsibility of the State. However, at the same time, it did not exclude the scope for co-operation by private enterprise. This is an aspect that should as well be borne in mind.

The Committee observes that while commercial energy accounts for 20 per cent of the country's total energy consumption, the share of oil in this was approximately 12 per cent, coal nearly 83 per cent and hydroelectric power about 5 per cent. It is also interesting to note that in the remaining portion of energy requirements, 100 million tons (coal equipment) or 55 per cent of energy is made up by wood charcoal and dung. The resultant loss to the nation by this process of deforestation and waste of good quality manure leading to the impoverishment of the soil is thus self-evident. There is, therefore, no need to underline the dire need for changing the pattern of energy utilisation which has to be done by increasing the share of commercial energy.

The current requirements of petroleum products are estimated at just over 5 million tons which are expected to increase at the rate of 10 per cent annually, and thus by 1975, the consumption is very likely to go up to 40 million tons. At present internal production forms just 8 per cent of the annual requirements resulting in the imports of oil of the order of the Rs. 100 crores. If this were to continue, the country may have as well to spend anything between Rs. 800 and 1,000 crores on imports of oil alone in another 20 years. This should at once set the problem of production and the search for oil in the proper perspective, since in the context of the development plans it should be easy to see the drain on foreign exchange that the present magnitude of imports will entail for the country. The Estimates Committee has, therefore, lost no time in urging that determined efforts should be made to find the needed oil and gas if the country's industrial progress is not to be thwarted.

The suggestions of the Committee are directed to improve the organisational structure as well as accelerating the programme of work which has been far too tardy in relation to the requirements. Its criticism of Government for the inordinate delay in exploiting the Nahorkatiya oil reserves thus provides an illustration. Again a similar

tardiness is seen in regard to the survey and exploration of even the potentially oil bearing areas. Thus the total expenditure incurred by the Oil and Natural Gas Commission in the first two years of the Plan has been Rs. 3 crores as against Rs. 8.7 crores envisaged for this period and even of this, the expenditure on operation work is Rs. 1.8 crores. At this rate the Committee sees little prospect of fulfilment of the target.

The Committee has, therefore, rightly suggested that the ONGC should give higher priority to the drawing of comprehensive plans to fulfil the plan targets, both monetarily and physically. There is also scope for intensifying the work of survey and drilling and increasing the proportion of expenditure on such work to the total expenditure. Here the Committee has shown commendable realism in pointing out that there should not be any objection to securing the co-operation of the private sector in the exploration of oil within the framework of the Industrial Policy Resolution. It has, therefore, pleaded that while direct exploration by governmental agencies should continue, at the same time private concerns should, to the extent possible, be given licences to undertake exploration works. The employment of a number of private contractors for exploration and prospecting work, for example, would not only hasten the work but would enable a proper comparison to be made of the expenditure incurred by different agencies. The need is, therefore, for evolving a policy of flexibility that would engender speed and efficiency instead of vacillation and inaction.

On the organisational side for making the work of the National and Oil Gas Commission more effective, the Committee has suggested that the Commission should be given statutory status for arming it with sufficient powers commensurate with the exacting task it has to perform. But this, it points out, should be preceded by changing the composition of the personnel to include experienced geologists and geophysicists who alone would be able to do full justice in competently discharging the functions assigned to the Commission. But in all these discussions about mobilising the oil resources, the crux is finance. The Committee has not elaborated the suggestion it has made for the setting up of an Oil Development Fund. The other suggestion for levying a cess on petroleum products or of converting a part of an existing duty into a cess and assigning it to the Commission is bound to be controversial. The search for oil is not only an exacting process but an expensive proposition. In the long run, much would depend on how the requisite finance is made available for the Oil and Natural Gas Commission to function effectively. Is there need to impose vast additional strains on the economy when the co-operation of the Oil Companies can be obtained on reasonable terms?

THE WEEK'S NOTES

ISRAEL AND INDIA

WITH ISRAEL's completion of a decade of existence, it is apparent that the tiny Jewish Republic has come to stay. It has been, in the words of its Foreign Minister, Mrs. Golda Mier, a decade of "acute tension, unceasing effort and heavy sacrifice but also...of significant achievement". Despite seemingly overwhelming odds, the Zionists' promise has been fulfilled. Due to the dedication of both the people and leaders of Israel to the cause, the arid land has been turned into green fields. Efforts are now under way to develop Israel's principal natural resources, which include manganese, mica, copper, iron and oil. It is due to their herculean efforts that the Government of Israel has managed to rehabilitate and provide gainful employment to nearly a million of immigrants, the descendants of the "lost tribe". Doubtless, the new State has been heavily dependent on help from abroad, but it must be said to its credit that the help has not been wasted. Circumstances no less than ideology have led to the establishment of a social democracy in the heart of the feudal world of the Middle East.

The Arab States have so far withheld their recognition to Israel. Some of them are still in a state of war with it. They have organised a boycott, and the Suez Canal is not "open" either to Israeli ships or ships of other nations carrying cargo to and from Israel. It is creditable that Israel has not even then discriminated against the Arab population within its borders. There are eight Arab members of the Knesset, the Israeli Parliament. Moreover, Israel is the first country to grant Arab women the right to vote.

The prospects of Arab-Israeli accord are unfortunately nil. The Arabs are determined to destroy the Jewish Republic. For a variety of reasons no country is willing to make any effort to promote a settlement between them. Even India's attitude towards the Jewish Republic has been governed solely by expediency rather than by the high moral principles by which she swears. Her fear presumably is that any such move — or a move towards the establishment of friendly relations with Israel — would estrange the Arab countries and make them susceptible to Pakistani propaganda over Kashmir. If this fear is well-founded, India's influence in the Arab world can only be described as superficial, and useless. After all, the test of a country's influence can only be measured in terms of its ability to persuade, the other country to give up its unreasonable policies, without endangering friendship. Moreover, it would be in line with India's foreign policy if she decided to persuade the Arab world to accept the reality of Israel. That would be on par with her efforts to persuade the Western powers to recognise Communist China. The first step on this road should be the establishment of normal diplomatic relations with Israel, the only democratic country in the otherwise despotic and authoritarian Arab world.

DR. SINGH'S "DISCLOSURES"

AFTER NEARLY four months of his sudden resignation as the Prime Minister of Nepal, Dr. K. I. Singh has disclosed what he says were the reasons for his exit from office. According to him "international pressure" and "conspiracy by traitors at home" had created a situation in which it was impossible for him to continue in that august office. But the one-time legendary revolutionary also made a damaging confession. Americans, he said, had "bullied" him to sign an agreement with the United States under threat of forfeiture of five million dollars aid. He would also have us believe that at one time the Chief of the United States Operation Mission wrote him a letter threatening to sever diplomatic relations

if a Nepalese girl were refused a passport to visit America.

It will be a slur on human intelligence to believe that almost every one in Nepal — foreign powers, army generals, rival politicians, the King's personal staff and his own party's general secretary — were "traitors" or "conspirators". This is rather strange coming as it does from Dr. Singh. It was he who organised on abortive armed revolt against the Nepalese Government in 1950; and it was he who turned fugitive and sought and enjoyed hospitality of a foreign government for over two years. Moreover, if love for his country and his people have always been paramount in Dr. Singh's mind, it is difficult to explain why he did not take them into confidence and warned them about the widespread network of the "traitors" earlier. Similarly, in fairness to the United States which has generously helped, and is helping, Nepal, he should have released the full letter of the Chief of its Operation Mission rather than make a highly tendentious declaration about its contents.

Dr. Singh is, however, mistaken if he thinks that he can have the ear of the people of Nepal by such sensational disclosures. During the coming general elections the people will only judge him by the records of his tenure as the Prime Minister and by his past association. It will be as fair a test as Dr. Singh can legitimately expect. The elections will decide who represents the people of Nepal. Witch-hunting is no yardstick of one's patriotism or representative character.

ACROBATICS ON THE ARCTIC

THE SOVIET veto of the United States proposal for international inspection of the Arctic circle has been correctly described by the Canadian Prime Minister, Mr. John Diefenbaker, as a veto on the "hope of humanity" for world peace. Though there was no definiteness attached to the proposed area, it was to have included all territory north of the Arctic circle of the Soviet Union, Canada, the United States (that is Alaska), Denmark (that is Greenland) and Norway, part of the Kounchatka peninsula and all of the Aleutian and Kurile islands. It is obvious that if the area could be covered by a fool-proof scheme of inspection to that extent at least the dreaded possibility of a surprise attack would have been reduced, and peace strengthened. Moreover, the system of inspection proposed was to have contained some means of advance notification of flights and other military movements; radar monitoring of flights; and ground inspection teams at key points, with technical details to be worked out by mutual agreement. On this point the United States was "open-minded". It is, therefore, surprising that opposition should have come from Russia which has been pretending to be an aggrieved party particularly since it became known that American planes had been on precautionary flights towards Russia on "false alarms".

The acceptance of the United States proposal would have been a constructive step toward easing world tension. The Western Powers, too, have been fearful that the Soviet Union may launch a nuclear attack against them over the top of the world. The establishment of the international inspection zone in this area would have thus naturally allayed the fears of both sides. If each country knew for certain that there was no possibility of a surprise attack being launched against it, the fear of war would decrease. Even Mr. Dag Hammarskjöld, Secretary-General of the United Nations, was so impressed by the United States proposal that he took the unusual step of welcoming it. He said that attempts to break the 13-year old impasse in disarmament had been unsuccessful so far because

governments had been too ambitious and not satisfied with making a "dent" from which to proceed. "Such activities as the one we are considering today could make a dent". This was an unanswerable argument from an important authority.

But unreasonableness, it appears, is the strong point of the men in the Kremlin. Mr. Sobolev, their representative at the United Nations, described the proposal as a "diversionary manoeuvre" and would have it discussed at a Summit meeting; but his chief, Mr. Gromyko, went further and dismissed it as "sheer propaganda". Thus, as the Soviet Union would have it, the world continues to live in the shadow of the awful fear of a massive surprise attack. It is a thousand pities that the Soviet Union, which most vehemently and continually talks of peace and makes professions for reducing international tensions, should have rejected a proposal with obviously no different aim. The world now knows once again what a gap there can be between practice and profession and how words can have different meanings to different people.

MR. MENDERS' VISIT

RECENTLY INDIA had the honour of welcoming the Turkish Prime Minister, Mr. Adnan Menderes. He was accompanied by his Foreign Minister and 15 members of the Turkish Parliament. The visit reformed the old kinship between the two countries. Besides trade relations which go far back into antiquity, India and Turkey have a common recent past. India's first mass civil disobedience movement, under the leader-

ship of Mahatma Gandhi, reared the banner on behalf of Turkey too, 'albeit', for the restoration of the Caliphate which the victorious allies had ended after World War I. Under Mustafa Kemal Turkey eventually emerged as a secular republic — the first of its kind in Asia — even as free India has chosen to be one. Though a ruler of a tiny, dismembered State, Kemal Ataturk challenged the Western Powers. His heroic achievements were watched in India with admiration and sympathy and were a source of inspiration to the Indian freedom fighters. Ataturk, in fact, came to symbolize the anti-imperialist sentiments of the resurgent peoples of the whole of colonial Asia.

It is true that for the last few years India and Turkey have been pursuing different, if not divergent, paths in world affairs. While India has been consistently advocating a policy of non-alignment, Turkey has been deeply involved in power politics. It is an important member of the North Atlantic Treaty Organisation and the Baghdad Pact. But these differences have not affected India's respect for Turkey. This country welcomed Mr. Menderes as warmly as she had done the distinguished visitors from the United States, Russia, China, Britain, Yugoslavia, Poland, Czechoslovakia, Bulgaria, Iran, Pakistan, Ethiopia, Saudi Arabia, Indonesia, Burma, Ceylon and Bahrain. Difference of ideology or divergent foreign policies are not the criteria by which India goes in her pursuit of the policy of non-alignment. It is to be hoped that Mr. Menderes' visit will cement further the friendly ties that already bind India and Turkey.



Wild Horses...

...must be broken-in and harnessed before their speed and strength become useful to man.

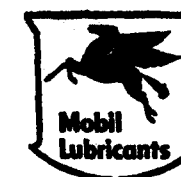
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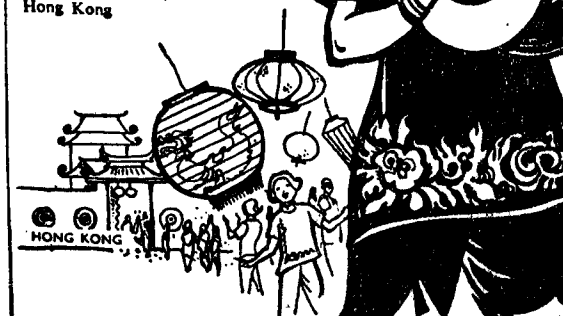
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extracts, free acidity, relative viscosity, and cold water solubles. Methods of test for various characteristics of the starch are appended to the standard. Copies of the standard, in English, can be had from the Indian Standards Institution, Manak Bhavan, 9 Mathura Road, New Delhi-1 and its branch offices at 40/40A Cawasji Patel Street, Fort, Bombay-1; P-11 Mission Row Extension, Calcutta-1 and 23 Nungambakkam High Road, Madras-6.

TRADE

Exports of Indian Textiles to South-East Asia: Exports of Indian cotton textiles to Burma and Indonesia have not shown any downward trend, but there is some decline in the exports to Singapore due to increased competition from Japan and China. This information was given by the Minister for Commerce, Shri Nityanand Kanungo, in the Lok Sabha in a statement laid on the table of the Sabha in reply to a question by Shri Damar and Shri Hem Barua. The Minister added that there had been no decline as a whole in the exports of Indian textiles to the countries in South-East Asia except to Singapore, Malaya and Ceylon.

Sudanese Import Licenses: Under a new import license order which came into force recently, specific licenses are now required for the import into the Sudan of the majority of goods from all parts of the world. This is the latest step to cope with the country, economic difficulties resulting from last year's adverse overseas trade balance, the scarcity of foreign exchange and the new season's bad cotton crop.

Easing Japan's Import Curbs: The Government of Japan is expected soon to start easing import restrictions enforced about a year ago. The Ministry of Trade said the programme had been so effective in holding down imports that Japan's balance of payments problem had been virtually solved and a substantial surplus could be expected for the six months from April to September. In view of this, it will shortly relax the rules applicable to bonds which importers are required to deposit in the Bank of Japan before effecting imports.

South African Trade: The unfavourable trend of South Africa's foreign trade continued in March, bringing the first quarters imports to £155.4 million against £132.5 million a year ago and reducing exports to £101.4 million from £116.8 million last year. This has been mitigated by the increase in gold exports of £10.4 million to £58.5 million but that is obviously more than production as the continued decline in the Reserve Bank's gold and currency reserves show.

FINANCE

Three New Central Loans Floated: The Government of India have announced the simultaneous issue of the following three new loans for a total sum of Rs. 135 crores. (a) 3½ per cent Bonds 1963—Issue Price Rs. 98.75 per cent and repayable at par on the 12th of May, 1963; (b) 3½ per cent National Plan Bonds—Fifth Series (3½ per cent 1968)—Issue Price Rs. 99.50 per cent and repayable at par on the 12th of May, 1968; and (c) 4 per cent Loan 1973—Issue Price Rs. 100 per cent and repayable at par on the 12th of May, 1973. Interest on the new loans is payable half-yearly on the 12th of May and the 12th of November and will be subject to income-tax. Subscription lists will open on the 12th of May 1958 and close on the 14th of May 1958 but may be closed earlier without notice as soon as the total subscriptions to the bonds and loan amount to Rs. 135 crores approximately Government reserve the right to retain subscriptions up to 10 per cent in excess of the notified amount. Subscriptions may be in the form of cash/

cheque or securities of the 3 per cent Loan 1958 or 4½ per cent Loan 1958-68 which will be accepted for conversion at Rs. 99.75 per cent and Rs. 100.10 per cent respectively. Applications for the bonds and loan will be received at (1) Offices of the Reserve Bank of India at Bangalore, Bombay, Calcutta, Madras, Nagpur and New Delhi; (2) Branches of the State Bank of India at other places in India except at the places mentioned in (3) and (4) below; (3) Branches of the State Bank of Hyderabad conducting Government business; and (4) Branches of the Bank of Mysore Ltd., in the State of Mysore.

US Technical Assistance to India: The Government of India and the United States have signed nine project agreements under the Indo-American Technical Assistance Programme. The agreements provide a total of \$1,287,000 to assist India in the fields of Health, Education, Industrial Research, Agriculture and Industrial Productivity. They initiate the United States Fiscal Year 1958 programme of technical assistance in India which total \$6.3 million. Under the agreements signed, specific assistance is rendered to Agricultural Education and Research by furnishing \$658,000 to continue contracts with the five US Land Grant Colleges providing assistance to Indian agricultural and veterinary institutions. The US co-operating institutions are Illinois, Ohio, Missouri and Tennessee Universities and Kansas State College. A total of \$5,388,413 has been allotted for this programme in prior fiscal years, since the Indo-American Technical Co-operation Programme started in 1952. A total of \$319,000 is provided for Assistance to Home Science Education and Research. The sum of \$210,000 is provided for developing the Central Institute of Education into a national centre with a view to promoting leadership training in the field of professional education. The other six medical colleges and institutions, \$2,000 for assistance to the National Institute of Basic Education, \$15,820 for technical assistance in nursing at three medical college nursing schools, \$25,400 to provide additional technical assistance to the Fuel Research Institute at Jalcgora, Bihar, \$10,530 to supply hybrid maize seeds to the Tarai and Chandigarh areas, and \$19,591 to aid in the establishment of a National Productivity Council. Assistance under the agricultural education and research project is restricted to 33 public and 7 private sector colleges and two central research institutes where post-graduate research is conducted.

Drawback of Customs Duty: Draft rules have been published in a 'Gazette of India' Extraordinary detailing the procedure for allowing drawback of customs duty paid on imported steel wire or steel strips used in the manufacture of umbrella ribs subsequently exported and on materials used in the manufacture of dye-stuffs, also subsequently exported. Interested manufacturers of such goods may contact the Ministry of Finance, Department of Revenue and on production of necessary data, rates of drawbacks will be calculated for their products. Any objections or suggestions received from any person in regard to these draft rules before May 5, 1958, will be considered by the Ministry.

GENERAL

National Council for Training in Vocational Trades: The procedure for affiliating industrial training institutes run by private establishments will be considered by the National Council for Training in Vocational Trades at its next meeting at New Delhi on May 12, 1958. The Council will also finalise the form and content of trade certificates to be issued under the Craftmen Training Schemes and the Craft Instructors Training Scheme.

May 9, 1958.

NEWS IN BRIEF

INDIAN

The total gross area of land sown in 1956-57 in India was 365,893 thousand acres. The net area sown in that year was 321,139 thousand acres. The figures for 1956-57 were provisional, while data regarding total area of land under cultivation in 1957-58 were not yet available.

The Government of India have published draft rules detailing the procedure for allowing rebate of customs or central excise duty paid on imported or indigenously produced materials used in the manufacture of vegetable fatty acids subsequently exported.

The Number of irrigation schemes which were expected to be completed by the end of the second Five-Year Plan was 235. The total outlay on them would be Rs. 435.14 crores and 140.3 lakh acres would be irrigated from those schemes on completion.

Roughly 16 lakh central Government employees have been admitted to the various provident funds although their exact number is not readily available. The vast majority of them are eligible to join either contributory or non-contributory provident fund.

During March 1958, the Ministry of works, Housing and Supply sanctioned loans amounting to Rs. 433.90 lakhs to 13 State Governments and one centrally-administered territory under the Low-Income Group Housing Scheme.

To control weed infestation of the wheat crop a series of demonstrations were conducted by the Indian Agricultural Research Institute, New Delhi, on the cultivators fields in the Union territory of Delhi during the last rabi season.

A provision of Rs. 100 lakhs has been made in the second Five-Year Plan of the Union Government for the development of indigenous systems of medicine, including the homeopathic system.

An industrial estate in Kerala is to be established at Ettumanoor for which a loan of about Rs. 5.6 lakhs has been sanctioned to the State by the Government of India. For the industrial estate which is being established at Quilon, a loan of Rs. 3.58 lakhs has been given in addition to Rs. 8.1 lakhs sanctioned in 1956.

Two draft standards, one on methods of test for plastic buttons (thermosetting), have been issued by the Indian Standards Institution for eliciting comments.

It is reported the States mostly affected by soil erosion were Andhra Pradesh, Bombay, Madras, Mysore, Rajasthan, Madhya Pradesh, Kerala and Union territory of Himachal Pradesh, certain parts of Bihar, Orissa, Uttar Pradesh, Punjab, Assam, Jammu and Kashmir, and West Bengal.

FOREIGN

World Wool output in the 1957-58 season is now estimated to be 2 per cent less than in the previous season, according to the latest figures issued by the Commonwealth Economic Committee.

The International study group's statistics for February show a fall in world rubber output of 27,500 tons to 117,500.

The world Bank has approved a loan equivalent to \$14 million to Pakistan for the expansion of electric power. The new facilities will more than double the supply of power in the metropolitan area of Karachi.

East African Railways and harbours is reducing railway rates on sisal, copper, and copper concentrates, and on sugar for local movement in Uganda.

The establishment of a United Nations Economic Commission for Africa with the task of taking "Concerted action for the economic development" of the continent was unanimously decided on by the Economic and Social Council recently.

An International exhibition of wood and metal working machinery and tools will be held in Holland in June. Besides a large number of Netherlands manufacturers there will be over 100 foreign participants exhibiting their machinery.

UK Output of plastics material in the last few months has been running at an annual rate well above the record total achieved last year.

South African industry expects to expand at a rate of up to 10 per cent per annum for the next two years. This is the conclusion revealed by a survey conducted by the South African Federated Chamber of Industries among its members, and is based on their replies to a questionnaire.

Norway had a deficit of Kr. 130 million in her balance of payments during the first two months of this year, compared with one of only Kr. 30 million in the corresponding period of last year, reports the Central Statistical Bureau.

New Zealand showed a deficit in its overseas exchange transactions of £39.7 million during the year to March, 31, 1958, as compared with a surplus the previous year of £800,000.

The Average income of American families in 1957 was \$6,130 (£2,189)—about 50 per cent higher than in 1947 the Commerce Department has announced. It was only 10 per cent higher than 1947 if increased living costs were considered.

According to a trade agreement signed between Morocco and the USSR, Morocco will import from the Soviet Union a total of £3 million in crude oil, wood, industrial equipment and sewing machines, and will export to the same value in citrus fruits, cork, wool, wine, almonds, olive oil, canned sardines and Moroccan leather goods.

A DELHI DIARY

A GREAT COLLISION

ON Tuesday morning, as I lazily opened my eyes, I read in one of the daily papers that there had been a "head-on" collision on Monday between the Prime Minister and the Minister for Parliamentary Affairs, Mr. Satya Narain Sinha. The report said: "Mr. Nehru, who fell in a swoon, was immediately rushed to his room in Parliament House where prompt medical aid was given. He recovered soon after. The incident took place when the Prime Minister was coming out of the lobbies on his way to his room. He suddenly knocked against Mr. Sinha who was coming from the opposite direction, both of them having failed to notice each other." Today, I am glad to say that the same paper published a correction, which reads reassuringly: "It is true that the Prime Minister and Mr. Satya Narain Sinha accidentally collided. But no one fainted or suffered an injury, nor did any doctor attend on the Prime Minister. All that happened was a slight temporary swelling on their foreheads". Thus all is well that swells well. But a collision between the Party and the Prime Minister having occurred the whole of last week, one wonders whether this further collision was required as proof that irresistible forces can meet immovable objects with such little consequence to either!

Can the collision between the Prime Minister and the Minister for Parliamentary Affairs be read as a symbol of the larger collision which is taking place between the Prime Minister and the Congress Party? It does look to me as though there are many points of similarity. Firstly, the Minister for Parliamentary Affairs reflects to my mind the Congress Party outlook much better than the Prime Minister. By the same token, the Prime Minister represents himself better than anybody else. A collision between the two is, therefore, like a collision between the Prime Minister and the Party. This is almost what happened last Saturday when the Prime Minister changed his decision and (by reports) the Congress Party promised to change some of its ways. But in the total result, since action and reaction are equal and opposite (I have the high authority of Sir Isaac Newton for this proposition), the country as a whole is no better off.

THE POST - MORTEM

A series of post-mortems have followed on the death of the Prime Minister's resignation. Of the papers that I read, two in particular have dealt with the matter brilliantly though in depreciating tones. One argues that irrespective of political views that he was to maintain and propagate, his leadership outside would have been far better than inside. The reasons for this are: (a) office consumes time (b) it is a handicap since it gives a stamp of self-interest. The other paper argues that there was a case for a clarion call to Socialism—that mystical goal for which the Indian people yearn. I have often heard of this yearning but I never see it. Has one ever heard the common man ask for Socialism rather than bread? Please may I see that common man and hear it from his own tongue? If the magical words emerge, I shall conclude at once that he is an intellectual and therefore not a common man. Quod erat demonstrandum!

Even otherwise this does not make sense. After all, Jawaharlal Nehru (if he had a precise programme for Socialism), certainly has had the political power

to force the Congress Party to accept his view. Indeed, I understood that, in the regime of T.T.K., the Party accepted nothing else. To argue, therefore, that the Party must be split in order that Jawaharlal Nehru's view should prevail is a perverse rendering of what has happened in the last eight years. Jawaharlal Nehru, after Sardar Patel departed, has really had no Rightwing check on his policies. If he has accepted the inevitability of gradualness, it is not the force of political personalities; it is the force of practical events. Nor do I see that he can blame anyone for the character of public life which he has, far more than any other group of persons, been free to mould and control over the last nine years. To argue that corruption has spread in the Party under his leadership is to argue a failure of his leadership. As Mr. Govinda Reddy made plain in his powerful criticism of the Prime Minister (at the very meeting where there was rejoicing over the withdrawal of his resignation), the Prime Minister has surrounded himself by people who are completely out of touch with grass-roots democracy. While the Prime Minister himself maintains a contact with the people in a geographical sense, his mind has been often insulated by his entourage from the real inadequacies—his own and his Government's shortcomings. Splitting a party is no answer to a degree of administrative weakness which surrounds Jawaharlal Nehru's own sphere of work, politically and administratively. He would only carry into a reduced Party the same weaknesses.

Nor can one argue that Socialism, however conceived, is the answer to the problem of production. If the Indian people are looking for 'Socialism', they are merely using the word as a slogan for more food, more cloth, more houses, more jobs. If Socialism is the means to these, let us have it. But I cannot see that it is and, after a great burst towards Socialism (via T.T.K.'s Budget of 1957-58), the Indian people now find they consume less cloth and are now beginning to consume less sugar. It is all very well to talk about production, but can production be maintained when consumption tends to fall? This is a sixty-four dollar question, which I present to my colleague who wants socialism. Let us not confuse ends with means. In which country has Democratic Socialism shown itself victorious on production? Or is it suggested that Distribution by itself is enough?

EVERYONE'S DOING IT

Since everyone is doing it, I might as well give my own view on Jawaharlal Nehru's withdrawal of his resignation. A small Gallup Poll that I have conducted amongst my friends indicates that he has injured his own prestige; fifty per cent: Yes. Thirty-five per cent: No. No opinion: Fifteen per cent. At the same time, I think he has speeded action in Mysore, Orissa and the Punjab. On balance, however, these look to me like ripples on a pool. I still think that change for a period of six months would have done both the Congress Party and the Prime Minister good. Being foolish, I rush in where angels fear to tread. The next time the Prime Minister sets out a view based on months of "concentration", it should not be subject to the veto of a Party which has the highest personal interest in his retention in office!

ARGUS.

A DELHI NOTEBOOK

PUBLIC SECTOR INDUSTRIES

A COMPARATIVE picture of industrial progress under the Plan in the public and the private sectors is just available in a paper prepared by the Planning Commission for the National Development Council. As far as direct investment in industrial projects in the public sector was concerned, it was of the order of Rs. 240 crores in the first two years of the second Plan and an estimated Rs. 190 crores in the current (third) year. About Rs. 3 crores of the investment in the first two years was in respect of schemes begun in the first Plan period. These earlier schemes, completed by 1957-58, were connected with: the D.D.T. plant at Alwaye; the expansion of the D.D.T. plant at Delhi; the expansion of Hindustan Antibiotics; the porcelain insulators scheme at the Mysore Government porcelain factory; the expansion of Government soap factory, Bangalore; the spun-pipe plant of the Mysore Iron and Steel Works; the Bihar Superphosphate Factory; and the provision of balancing equipment in the NEPA factory. With the completion of these schemes, the capacity for D.D.T. has risen by 2,100 tons; penicillin by about 19 million mega units; and superphosphate by 33,000 tons. The NEPA factory has reached its full capacity of 30,000 tons of newsprint per annum and a capacity of 2,500 tons has been installed for insulators.

The schemes scheduled for completion in the current year will result in an additional capacity of 47,000 tons for Ammonium Sulphate at the Sindri fertiliser factory; a new capacity of 700,000 tons per annum for pig iron in the first blast furnaces at Bhilai and Rourkela; a new capacity of 285,000 tons for hard coke in the Durgapur Coke-oven Project; an additional capacity to reach the ultimate capacity of 400 lathes, milling and drilling machines in the Hindustan Machine Tools factory; and a new capacity of 530 miles of cables and 300 miles of co-axial cables in the Hindustan Cables and Co-axial Cables project.

PROJECTS ON HAND

The industrial projects scheduled to be completed by the end of the second Plan will result in an additional capacity of 600,000 tons of pig iron and a new capacity of 2.2 million tons of finished steel at the three steel works at Bhilai, Durgapur and Rourkela; a new capacity of 70,000 tons for ammonium sulphate in the Nangal Fertilizer Project; a new capacity of 3.5 million tons for lignite under the mining part of the Neiveli Lignite Project; a new capacity for 15,000 k.g. of Streptomycin in the Hindustan Antibiotics factory; an additional capacity of 15,000 tons for ferro-silicon under the Ferro-Silicon Expansion Scheme of the Mysore Iron and Steel Works; a new capacity of 2,000 tons for insulators in the Porcelain Insulators Project of Bihar; in an expansion of capacity to build 8 to 12 ships a year at the Hindustan Shipyard; and an additional capacity of 231,000 tons for cement in the U.P. Government Cement Factory.

The projects which will be completed during the early years of the third Plan are also specifically mentioned. These are: Foundry-forge Project; Heavy Machinery Project; Mining Machinery Project; remaining part of the expansion scheme of the Mysore Iron and Steel Works; thermal power plant and fertiliser factory at Neiveli; fertiliser factory, Rourkela; Optical Glass Project; first phase of the Heavy Electrical Project; Raw Film Project; intermediaries for dyestuffs and drugs; Assam Oil Refinery; and Alloy and Tool Steel Plant.

DEFERRED SCHEMES

There are some other industrial projects which will be deferred or slowed down for want of foreign

exchange and rupee resources. These projects are: Bank Note Project; Carbonised Briquettes under the Lignite Project; Marine Diesel Engine Project; dry dock at the Hindustan Shipyard; newsprint from bagasse; synthetic rubber; Heavy Machine Tool Project; Tungsten Carbide; Salem Aluminium Plant; and other projects of State Governments.

In the entire second Plan period public sector industrial projects will have involved a total capital expenditure of roughly Rs. 700 crores including a foreign exchange component of Rs. 400 crores.

PRIVATE SECTOR INVESTMENT

In the private sector the revised target of industrial investment under the second Plan is given as Rs. 840 crores with a foreign exchange component of Rs. 440 crores. As against this planned outlay, the investment in the first two years of the Plan was of the order of Rs. 27 crores. It is stated that in view of the strict rationing of foreign exchange, the Government's measures to tap as much rupee resources as possible for the public sector and the expected shortage of power owing to the slowing down of power projects, the private sector's industrial projects will not be wholly completed by the end of the Plan. If the deferred public sector industrial projects account for just Rs. 65 crores with a foreign exchange component of Rs. 40 crores, the shortfall in the private sector's investment is likely to be far greater.

NEW INDUSTRIAL PROPOSALS

India is now importing about 9,000 tons of carbon black per annum. The possibility of manufacturing this product by Coal-Tar fractions is being explored by the Government in consultation with a German firm. Two Rumanian experts will also be coming to India on the invitation of the Government in this connection. An industrialist is also negotiating with an American firm for starting the manufacture of carbon black.

There are now in the alcohol industry 47 units with a capacity of just under 30 million gallons. Six new units and ten existing units permitted to expand will soon add a further capacity of 11 million gallons. A further capacity proposed in 3 new units for which licences are not yet issued will bring the over-all capacity of the alcohol industry to 46 million gallons. The Government have also just approved schemes for three new industries which will use alcohol as raw material. Two proposed units for the manufacture of acetic acid will use 900,000 gallons of alcohol; two units for the manufacture of polyethylene will use 4.2 million gallons; and one unit for the manufacture of Acetone will use 350,000 gallons.

SHIPPING

The Government of India are to acquire five Japanese ships of a total tonnage of 50,000 out of the 500 million yen loan provided by Japan. Of these ships three including a tanker will be for the public sector shipping companies and two for the private sector companies. The cost of each ship is stated to be Rs. 1.3 crores.

IMPORT LICENCES

It is revealed by a special inquiry that out of a total number of 72,000 import licences issued, only 9,000 were presented for clearance of goods at the ports of Bombay, Calcutta, Madras and Cochin in the period October 1957-March 1958. During this period, the number of partially utilised licences was 13,000. It is estimated that the value of valid licences not presented at the major ports in that period is Rs. 190 crores and the outstanding value of partially utilised licences is Rs. 375 crores.

Special Article

FINANCES OF INDIAN JOINT STOCK COMPANIES: 1951-57

(By S. K. CHOUDHURI)

THIS article arises out of an admirable study by the Reserve Bank of India in their Bulletin of September 1957, giving an analysis of Balance Sheets and Profit and Loss Accounts of 750 joint stock companies during the six years 1950-55. That study covered public limited companies registered in India with a paid up capital of Rs. 5 lakhs and over. It excluded, however, Banking, Insurance and Investment companies, private limited companies, Government companies, companies limited by guarantee, non-profit associations and branches of foreign companies. The total paid up capital of the companies which were included in that study was about two-thirds of the total paid up capital of the public limited companies in the particular fields. Here it is proposed to deal with some selected aspects of joint stock companies.

In the monthly bulletin of Reserve Bank of India for December 1957, a further general study of finances of 78 public limited companies (included in the sample of 750 companies which was the subject matter of study in the September issue mentioned above) revealed among other things a greater capital formation as disclosed by the accounts closed during the quarter ended September 1956 and compared with the previous year. The Reserve Bank Bulletin for January 1958 also revealed satisfactory features of capital formation from a study of the published accounts of 513 public limited companies (included in the sample of 750 companies — subject matter of September issue) relating to the accounting period ended July 1956 to June 1957.

The study of the 750 companies made in September 1957 was of an extensive nature. When it was published, comments thereon appeared in some of the well-known financial journals. But this study although from the research point of view an admirable one, was overlaid with so many statistical data; it was not therefore possible for the lay public and also the business executives, having little time to spare, to get a proper perspective of the picture presented. The comments in the financial journals, no doubt stressed some of the important points made in the study; it is, however, felt that the highlights of the September study and the subsequent studies quoted above have not been brought into prominence in the context of the present problems of the industries.

Coming to the September study of selected industries for the period 1951-55 the following significant facts emerge:

(i) The trading gross profit was in the region of Rs. 113 crores in 1951 with a set-back in 1952 of Rs. 83 crores and in 1953 of Rs. 94 crores. These set-backs occurred following the Korean boom. In 1954 and 1955 there was a spurt forward of the gross profits shooting up to Rs. 109 crores and Rs. 133 crores respectively.

(ii)(a) The tax provision as a percentage of gross profit was 30 per cent in 1951 and 1952, 29 per cent in 1953, 30 per cent in 1954 and 29 per cent in 1955. Average rate of all years 1951-55—29 per cent.

(b) Dividend rate as a percentage of gross profit ruled as follows: 24 per cent in 1951, 30 per cent in 1952, 28 per cent in 1953, 26 per cent in 1954 and 24 per cent in 1955. Average rate of all years 1951-55—26 per cent.

(c) Retained profits in the shape of depreciation and addition to reserve including adjustment of P. & L. balance as a percentage of gross profits showed the

following trend—1951—46 per cent, 1952—40 per cent, 1953—43 per cent, 1954—44 per cent, 1955—47 per cent. Average rate of all years 1951-55—45 per cent.

(iii) It will be seen from (ii) above that the tax provision in each of the years in question was more or less uniform. The rates of dividend showed erratic tendencies but fairly steadied during the last three years of our review. The rate of retained profit was also somewhat erratic influenced mostly by ups and downs of dividend rates.

(iv) It will be interesting to note the trend in these respect in some of the major industries such as cotton, iron and steel, coal and cement, for the same period.

1951 - 1955				
	Tax provision Per cent of gross profit	Divi- dends Per cent of gross profit	Retain- ed profits Per cent of gross profit	
Cotton (145)	28	28	44	
Iron & Steel (2)	30	17	53	
Coal Mining (38)	26	24	50	
Cement (7)	34	26	40	

(N.B.: Figure in brackets denotes number of companies.)

It will be seen that Iron and steel and also coal showed higher percentages of retained profits viz., 53 per cent and 50 per cent respectively than that evidenced by all industries, namely, 45 per cent. The tax provisions of each of the particular industries revealed almost the same trend as that exhibited by all industries. The trend in the rate of dividend was of the same order as in all industries except in iron and steel which stood at 17 per cent.

It will now be worthwhile to see how capital formation took place during 1951-55 in all the selected industries under review. It is seen that the gross fixed assets amounting to Rs. 271 crores constituted 64 per cent of the total assets; this was financed to the extent of 56 per cent by retained profits. The balance of 8 per cent of gross fixed assets and also increase in inventories (including receivables) and investments together making up 44 per cent was financed to the extent of 17 per cent from borrowings, 7 per cent from fresh capital and 20 per cent from other resources such as increase in liabilities etc. Here the point may be underlined that the retained profits played a very significant part in the capital formation.

The December study for the accounts closed during the quarter ended September 1956 of 78 public limited companies showed the following trend.

Tax provision as percentage of gross profit—28 per cent, Dividend as percentage of gross profit—27 per cent, Retained profit—45 per cent.

In addition to large profits ploughed back into business, borrowed funds also financed business expansion to an appreciable degree.

The Reserve Bank's study in January 1958 of 513 public limited companies relating to the accounting periods ended July, 1956 to June 1957 revealed that the gross fixed assets amounted to Rs. 717.9 crores in

1956 as compared to Rs. 614.3 crores during the previous year showing an annual rate of growth of 16.9 per cent in 1956 compared to 10.8 per cent in 1955 and 8.3 per cent during the first Five-Year Plan period. It is significant that the manufacturing industries such as iron and steel companies and petroleum refineries etc., showed a very high rate of capital formation. It will be of interest to note that as against 19.2 per cent increase in the total net assets, the paid-up capital shows only 8.5 per cent increase and this percentage would be still lower if bonus issue during the period is excluded. This goes to show that other sources, viz., retained profit and borrowings played a prominent role in the financing of capital assets.

Against this background, it will not be out of place to raise the important topic of "Development Rebate" of 25 per cent on plant and machinery installed after March 31, 1954 allowed under relevant Finance Act. In our studies we have endeavoured to focus attention on the conspicuous part played by companies in capital formation by ploughing back retained profits in the shape of depreciation fund and saving. And it will be seen in this context that from 1954 onwards the Development Rebate allowed for tax computation—resulting in the saving of about 13 per cent of the net profit was turned to satisfactory use by most of the companies by ploughing back higher rate of retained profits. Ursula Hicks in a recent article makes the point that experience in UK indicates that firms do react strongly to inducements of the type of "investment allowances"—which were of the same nature as "Development Rebate".

In the above context the new provision in the Finance Bill for 1958 regarding Development Rebate requires closer examination. The relevant clause in the new Finance Bill as originally introduced laid down that from January 1, 1958, full provision for Development Rebate must be made in the Profit and Loss Account for creating a reserve which must be utilised in

the next ten years for acquisition of fixed assets or investments. In the Lok Sabha the new Finance Minister, Mr. Desai as reported in the papers, has now announced that the reserve should be restricted to 75 per cent of the Development Rebate of 25 per cent or in other words, the reserve should be created to the extent of 18.75 per cent (75 per cent of 25 per cent) by debit to Profit and Loss Account. Further the balance of Development Rebate uncovered by the income of the year in question can be carried forward for a period up to eight years until fully exhausted. Although the widening of the scope of original provision of the bill is welcome, it poses the following questions even in its present form. (i) The Development Rebate of 25 per cent ensures a saving of about 13 per cent through lower tax. Assuming that other things remain the same, where will the remaining 5.75 per cent (18.75 per cent — 13 per cent) for creating a reserve come from? (ii) In the sector—such as Iron and Steel, cement, coal, where prices are controlled—will the price be pro tanto increased. In the fields of free economy the same question arises. Against inflationary trends the price increase is least expected. (iii) If there was no price increase, some of the companies will be confronted with the position of very much less dividend or no dividend. This will be far from satisfactory from the investors' point of view.

These questions are of great importance. They should impel serious consideration of the Government whether the new clause even in its present form as announced in the Lok Sabha will not defeat the very objective at which it aims. In the light of studies made by Reserve Bank of India, there is clear evidence that most of the companies turned the Development Rebate for the purpose for which it was intended namely by ploughing back a higher rate of retained profit for greater capital formation. Where then is the justification for the new clause in the Finance Bill for 1958?

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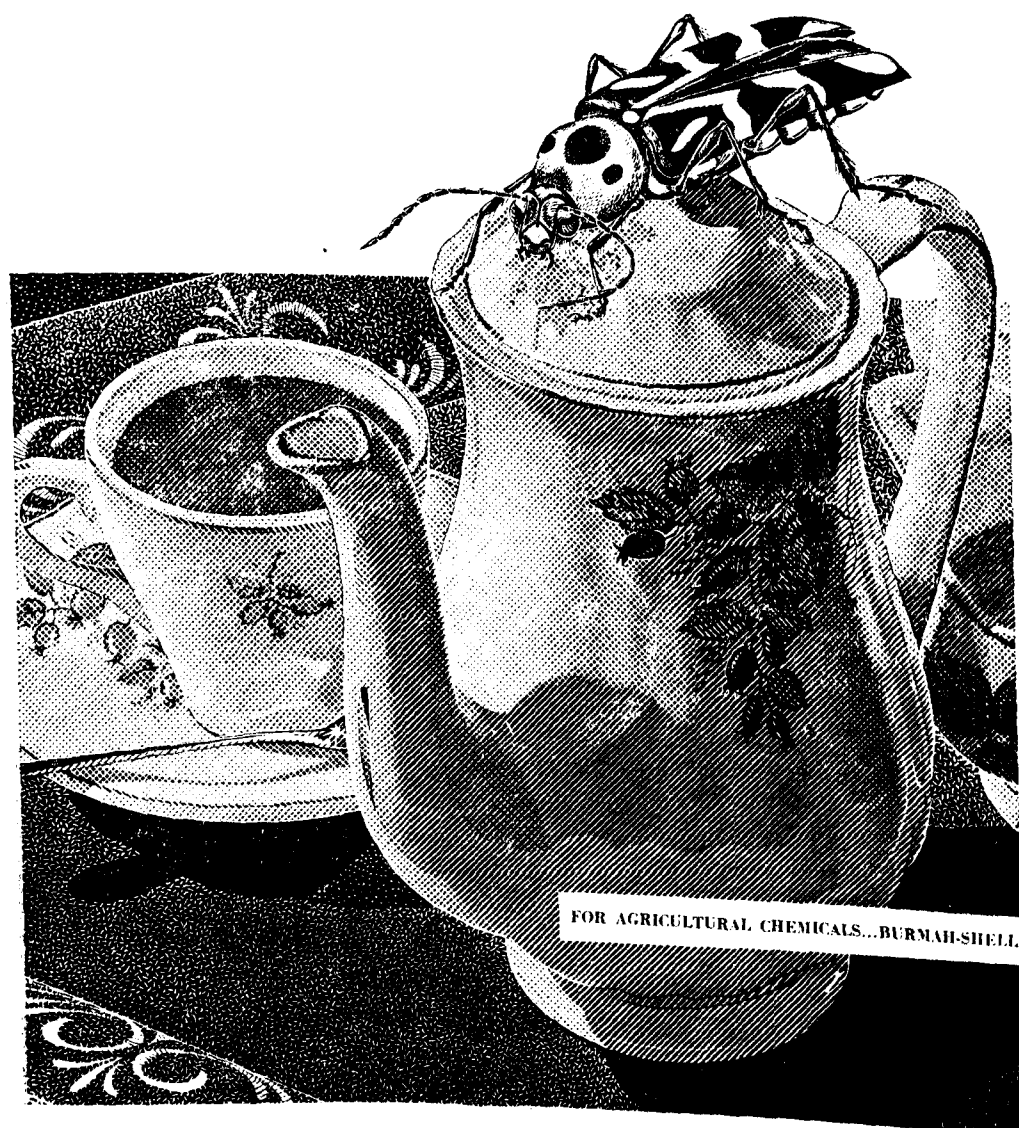
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Economic Report from the U. S.

METALS AND MINERALS POLICY

(By GUY SIMS FITCH)

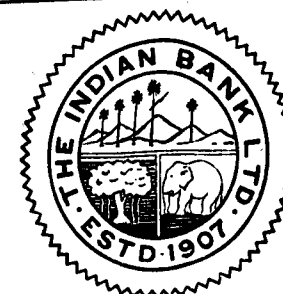
WASHINGTON, April 29.—In what is acknowledged to be a significant development in U.S. metals and minerals policy, the Eisenhower Administration has laid before Congress a proposal that it believes will help solve many of the problems of the hard-hit domestic mining industry without disrupting the economies of other nations. Testifying before a Senate minerals sub-committee this week, Secretary of the Interior, Fred A. Seaton unveiled a new five-year domestic subsidy plan for five basic materials. Included in the proposal are copper, lead and zinc—the three major non-ferrous metals—as well as tungsten and fluor-spar. Under the programme which Congress, of course, must approve before it becomes law—these commodities would be sold freely on the market and then producers would receive payments from the government if necessary, to make up the difference between the market price and a fixed government “support” or “stabilization” price. There would be annual limits on the quantities of these metals the government would support, with the quantities regarded as fairly close to “normal” domestic output. The proposed support prices would be based on historical price movements, and are expected, in general, to permit mines to operate at a reasonable profit. The intent is that both large and small operations would benefit from the plan.

Under the proposal, the stabilization price for copper would be 27.5 cents per pound, with a limit of one million short (901,000 metric) tons; lead, 14.75 cents per pound 350,000 short (318,500 metric) tons; zinc, 12.75 cents per pound, 550,000 short (500,500 metric) tons; fluor-spar (acid grade), \$48 per short ton, 180,000 short (163,800 metric) tons; and tungsten, \$36 per short ton unit, 375,000 units (each unit contains about 16 pounds, or 7.2 milograms, of tungsten). With the exception of fluor-spar, present market prices in all cases are somewhat below the proposed stabilization prices.

The belief here is that this kind of a plan would aid production and employment in U.S. mining communities affected by the current economic adjustment. And in so doing, it would alleviate some of the pressure that has been building up in mining areas for special relief by way of higher tariffs or of import quotas.

Many business men and Congress men from mining areas have tended to blame much of the industry's trouble on the continued importation of large quantities of minerals at a time when domestic operations were being curtailed. Right now, President Eisenhower has before him for a final decision a U.S. Tariff Commission recommendation that duties be raised on imported lead and zinc. He also would have to rule on whether or not to impose quotas on the importation of these commodities, as proposed by some of the Commissioners. The President has sixty days in which to consider the Tariff Commission report. But if Congress accepts the Administration's subsidy plan within that time, the condition of the domestic mining industry obviously becomes a less pressing factor in the President's decision to accept or reject the Commission recommendations in whole or in part. In the words of Mr. Seaton, “the question of the Tariff Commission recommendations would be academic.” In addition, the subsidy programme, relieving much of the mining industry's fear of import competition's effects on its operation could conceivably win increased support for a five-year extension of the U.S. Trade Agreements Act without hampering amendments, as President Eisenhower has recommended. Thus, it would on the one hand aid the embattled U.S. mining industry, and on the other help advance at a crucial moment the kind of liberal trade policies that consistently have motivated the U.S. Government for a quarter of a century.

But no appraisal of this new and far-reaching subsidy proposal can be confined solely to its short-term effects. As Mr. Seaton made quite clear in his Congressional testimony, one of its major aims to help develop and maintain a U.S. metals and minerals industry geared realistically to long-term requirements. There is little doubt in anyone's mind that the growing economies of the United States and other free nations will require over the years a high level of minerals production regardless of any temporary and transient dips in demand. In this regard, the Interior Secretary estimates that the programme if adopted, would cost a sizable \$161 million in its first year. But from then on, he notes the cost should diminish as production responds to demand and as our economy resumes its long-term health and vigour.



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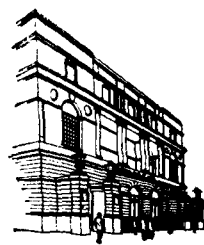
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The Business World

SOME INCOME TAX DECISIONS

By

CROESUS

DURING the past few weeks, the Income Tax Department has been losing practically every one of the cases that has gone before the Bombay High Court. It seems necessary to record some of the decisions in these columns both by reason of the importance of the decided cases and because of their interest to the tax paying public.

The first of these was a case in which the points at issue were (i) whether a firm consisting of two other firms and an individual as partners constituted a valid partnership in the eye of law and (ii) whether such a firm could be refused registration under Section 26 (A) of the Income Tax Act.

The facts of the case briefly were as follows. A certain Bombay firm was refused registration for the assessment year 1954-55 under Section 26(A) of the Income Tax Act. The partnership deed of the firm had been executed on November 29, 1954. The previous year (1953-54) was October, 1952 to November, 1953. Now, for purposes of assessment, the firm applying for registration should have been constituted under an instrument of partnership, and this qualification was not fulfilled by the firm in question, but when it applied for registration on November 30, 1954, the Department, and first, and later, the Tribunal refused registration; and the ground for refusal was that the firm consisted of two firms and one individual. This was considered by them as a partnership not as a valid one in the eye of law, although the Department conceded that the partnership which was sought to be registered was genuine.

The matter was, therefore, referred to the Bombay High Court. The Chief Justice Mr. M. C. Chagla and Justice Mr. S. T. Desai rejected the contention of the Department and held that the assessee firm was entitled to registration under Section 26A of the Income Tax Act. It may be of interest to add here that the following points were raised by the Department:

- (1) The firm was not a legal person;
- (2) The books of the assessee firm showed that the division of profits had been made not amongst the seven partners, but as between the two firms and the individual, and
- (3) The partnership deed did not specify the shares of the individual partners but only said that the two firms and the individual would have equal shares.

In rejecting these objections, the Bombay High Court ruled that, simply because the partnership purported to exist between a firm and some individuals or some firms and an individual, it did not become illegal. Moreover, in the case in question, the partnership deeds of the coalescing firms were produced, and these showed who the constituent members of the two firms were, and these and the other individual had all signed the partnership deed. On the second point, the Bombay High Court expressed the view that, if the shares of the partners in their firms were known, as they were known in the present case, it was merely a matter of arithmetical computation and saw, therefore, no justification for refusing registration on this count. Their Lordships further pointed out that Section 26A

of the Act only required that the document which constituted the Instrument of Partnership must specify the shares of the partners, which had been done in this case. From this deed, anybody would know the shares of the partners in the assessee firm and there was thus no question of the shares of the individual partners not having been specified clearly.

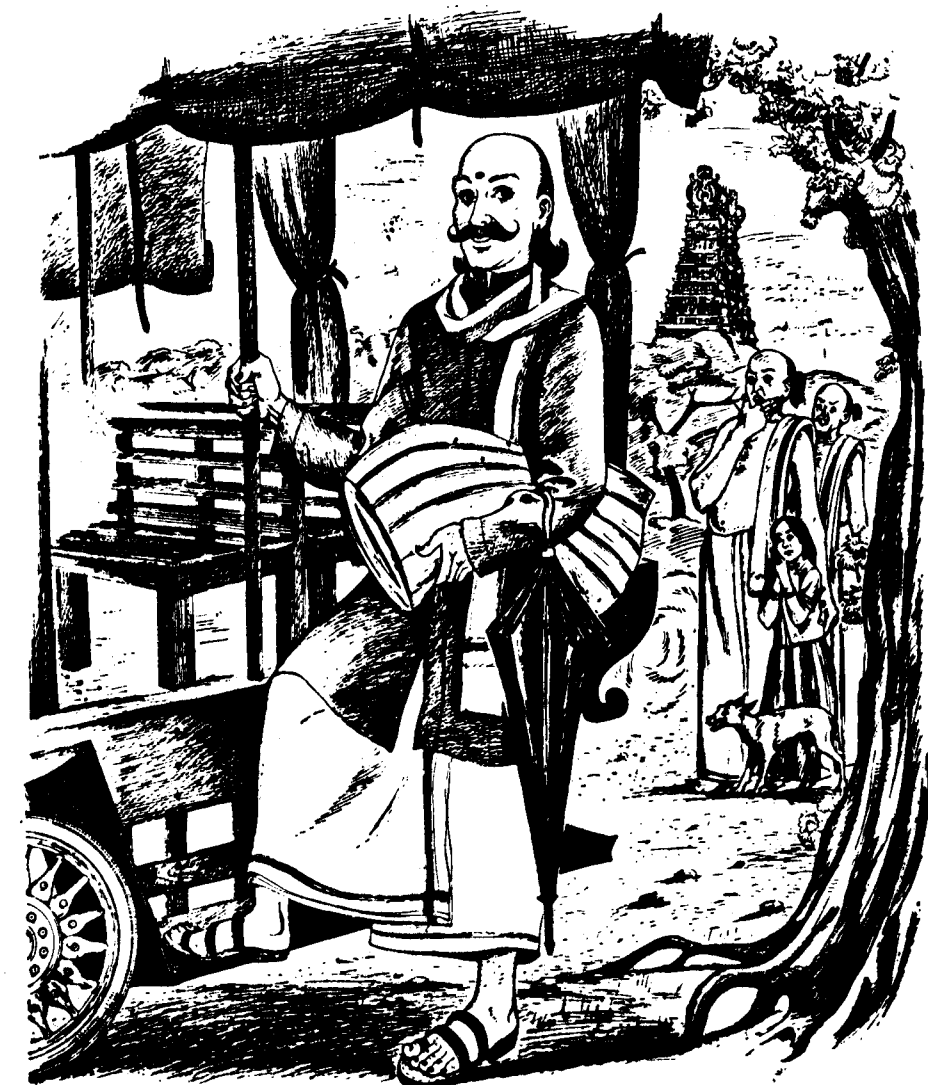
Another partnership question that came up before the Bombay High Court and the same Judges was a case purporting to fall under Section 44 of the Income Tax Act. The question at issue here was whether Section 44 applied when there was a succession of a firm but not a discontinuance thereof. The question arose from a petition by one Mr. B. M. Desai to the High Court to issue a writ of prohibition against the Income Tax Officer restraining the latter from recovering certain arrears of tax alleged to be due from him. The Petitioner was a partner with one Mr. C. P. K. Iyer and two others in a partnership which had been constituted in June, 1947. The firm had been duly registered and was also assessed for the assessment year 1949-50. The shares of profits of the four partners having been allotted to each of them, each one of them was assessed to tax on his share. While all the other partners paid their respective shares of taxes, Mr. Iyer did not do so. His arrears amounted to Rs. 42,800. Meanwhile, that is on September 11, 1950, the firm itself was dissolved and, by the deed of dissolution, Mr. Iyer became the sole proprietor of the firm. When the Income Tax Officer demanded, but failed to recover the arrears of tax from Mr. Iyer, he called upon the petitioner, on July 17, 1957, to pay the arrears of taxes due and payable by his erstwhile partner, Mr. Iyer. The officer sought cover for his action under Section 44, which provides that, where the business of a firm is discontinued, every person who was at the time of such discontinuance a partner in such a firm became liable to pay the tax of the other partners. As against this contention of the Department, the Petitioner argued that there was no discontinuance of the firm as such but only a succession and that, therefore, Section 44 did not apply, wherefore, again, he went on to contend, he was not liable to pay the arrears of taxes demanded. The Bombay High Court upheld the petitioner's contention and, in doing so, said that, although the original firm was dissolved and a new entity had come into existence, the business as such of the old firm was not discontinued but was carried on by the successor, i.e. Mr. Iyer. It was also pointed out by the learned Judges that Section 44 did not speak of the discontinuance of a firm but only the discontinuance of the business of a firm. They further expressed the view that, succession to a firm and discontinuance of a firm were two entirely different concepts under the tax law. Thus, if a firm succeeded to another firm, it was a case of succession and not of discontinuance; only when there was complete cessation of business of a firm, there was discontinuance of the firm. Another point that came for consideration was whether the Department could invoke Section 26(2) which provides for recovery of tax from a successor if the person succeeded cannot be found, and allocation of liability to pay taxes between the persons succeeding and the persons succeeded. According to their Lordships, the proviso to the Section has this effect, that, if the person succeeded could not be assessed either for the year in which the succession took place or in the year preceding that year be-

cause he could not be found, then the assessment could be made on the successor and the tax could be recovered from the latter. If, for example, the petitioner Dr. Desai had failed to pay the tax, the liability to pay the tax would have fallen on Mr. Iyer under the present but not vice-versa. Accordingly, their Lordships held that, when the business of the firm was continued, as in that case, Section 44 did not apply and, further, that there was no other provision under which the vicarious liability, to pay Mr. Iyer's tax could devolve on the petitioner.

The next decision of the Bombay High Court was in respect of allowances to be made under the Indian Income Tax Act for loss due to destruction of stock-in-trade and closure of business of the assessee. The assessee in question were a Bombay firm who carried on business in Manila, Saigon and Kuala Lumpur until the Japanese invasion. For the accounting period of 1941-42, the business in these places was carried on for only nine months, i.e., until December, 1941, when the Japanese invaded these places. As a result of the invasion, the stock-in-trade was destroyed and the loss was estimated by the Appellate Assistant Commissioner at Rs. 1,42,500 in Manila, Rs. 40,000 in Kuala Lumpur and nil in Saigon, and allowed Rs. 1,82,500 in all as trade losses to the assessee. The Income Tax Tribunal, however, disallowed these losses, holding that, inasmuch as these losses were due to enemy action, it was not a factor which was incidental to the trade. But the

Bombay High Court differed from the Tribunal and said that, even as the stock-in-trade was destroyed by enemy action, the assessee was entitled to the allowances of such loss. In coming to this conclusion, their Lordships reasoned as follows. What the Court has to consider is whether, when a trader loses part of his stock-in-trade or the whole of it, it is a loss which can be looked upon as a trade loss from a commercial point of view. The stock-in-trade of a trader constitutes the very basis for his carrying on his business for earning profits. If he makes profits out of this stock-in-trade, he must pay tax; if he makes a loss, he is entitled to deduction. If the stock-in-trade is insured and the insurance money, which is paid in lieu of the destruction of the stock, is more than the book value of the stock; the trader is bound to pay tax on the amount which he actually receives and not on the book value of the stock. Whatever may be the cause of the loss of the stock-in-trade, the essential factor to bear in mind is that the stock-in-trade, has realised no cash. Any loss caused to the stock-in-trade must in its very essence be a loss incidental to the trade. Business can only be carried on and business can only earn profits, provided there is stock-in-trade and if the stock-in-trade is itself destroyed, it is not only a loss but a calamity so far as the business is concerned. Accordingly, even if the stock-in-trade is destroyed by enemy action, the assessee is entitled to allowance for loss on this account.

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BUSINESS NOTES

CENTRAL BORROWING

MORE THAN ordinary interest centres round the recent borrowing programme announced by the Central Government. Its significance has to be assessed from two aspects. One is how far it will go in meeting Government's commitments under borrowing in the current year. The other is the trend it will indicate as a guidance to the future in meeting the targets of the Plan under this head. To take the first aspect, the current budget has taken credit for a net receipt of Rs. 125 crores from market borrowing. The three-tier loan announced by the Government is for a total sum of Rs. 135 crores, though the Government have reserved the right to retain subscriptions up to 10 per cent in excess of the notified amount. From the market reactions already available, there seems little doubt about the success of the floatations, since the reserves of the banks have improved more than expected. Even assuming that the 3 per cent 1958 and 4½ per cent 1958-59 loans will be offered entirely for conversion (whose outstanding amount is about Rs. 21 crores) the Government will be able to raise by way of actual cash Rs. 114 crores. In view of the attractive terms of the new loans—as for example the short-dated issue carrying a rate of 3½ per cent as against the anticipated 3¼ per cent—and the easy money market conditions, there is every reason to believe that official optimism will be justified by actual result.

More than the current interest, this year's success of Government borrowing has to be seen in relation to the fulfilment of the Plan's targets under the head. The Plan has taken credit for a total of Rs. 700 crores under borrowing for the entire Plan period or an average of Rs. 140 crores a year. In the first two years of the Plan, the yield of public loans amounted to Rs. 213 crores only. Assuming that this year Government is able to raise Rs. 120 crores, the balance for the two years that has to be fulfilled will be (700-333) Rs. 367 crores. If Government expectations are fulfilled this year, it will certainly mark a turning point in what hitherto has been proving to be one of the uncertain elements in internal resources. This year, the State Governments also seem to be interested in entering the capital market. Assuming that all the States together are able to net in about Rs. 50 crores this year, there seems to be good prospects of very nearly achieving the targets under the Plan if present trends continue. Anyhow, this year's showing must prove whether the Planning Commission's diffident approach as presented through its memorandum with regard to internal resources is justified or not.

SECRETARIES COME INTO THEIR OWN!

THE MARKED rise in the number of joint-stock companies and the setting up of companies even in the public sector to manage industries established by the Government have together made the role of company secretaries a very important one. The duties of the secretary of a joint-stock company are many and varied; since the new Companies Act came into force, especially, they have also become extremely complicated. Gone are the days when the secretary was just a glorified head clerk. He has today to be conversant not only with Company Law but also industrial and labour legislation and all that goes in the name of Government's economic policy too. Both Mr. A. D. Shroff, who inaugurated, and Mr. Murarji J. Vaidya, who presided over the first All-India Convention for the Secretaries of Companies and Public Bodies, held in Bombay last week, dwelt at length on the role and responsibilities as also the functions and equipment of a secretary these days. If Mr. Shroff stressed the point that a secretary should be a man of high integrity

and thoroughly dependable, Mr. Vaidya went a step further and insisted that he should also serve as a 'sentinel of democracy'. This is understandable, because, if the democratic way of life is to be preserved, the question of safeguarding the interests of companies, factories, firms and individuals connected with various aspects of economic life becomes a matter of the utmost importance. And, to do this a secretary must be a man of independent judgment and undiluted courage. In the absence of these qualities, he is likely to subordinate the interests of the company, as also the community, to the directive of his superiors, especially if they happen to be high government officials, as witness the recent happenings in the Life Insurance Corporation of India.

The Convention passed a resolution urging that there must be a different secretary for every company. In other words, the slogan of the Convention seemed to be 'One Company, One Secretary'. While this is perhaps justifiable from the point of view of employment, a point to be considered is whether every company, especially the smaller companies, can afford to employ and pay for the services of a competent secretary that the exacting requirements of Company Law demand today. Viewed from this angle, there seems to be a case for the same person to serve as a secretary for a number of small companies, if they are under the same management. This number may be the same as the maximum number for which a firm could act as a managing agent or managing director under the Indian Companies Act.

TWENTY-FIVE YEARS OF INDIAN INDUSTRY

IN THE thick of crucial times for Indian industry today the All-India Organisation of Industrial Employers celebrated its Silver Jubilee this week. If Prime Minister Mr. Nehru snatched time to inaugurate the session, it only shows the importance of the occasion. Over the past few years India has been passing through difficult times of construction. That some progress has been achieved is as clear as it is that still much more is to be accomplished. It is, however, useful to remember that the credit for the progress made so far belongs not so much to any particular agency, institution or a group as to the country and its people as a whole. By the same token, future progress will also necessarily result from uninhibited efforts of all, irrespective of whether it is private enterprise or public undertakings. Unhappily, it is being realised less than adequately that drawing of distinctions and discriminations can lead to nothing but retardation in the overall advance of the country. The fundamental requirement, it must be understood properly, is that of increasing the nation's production and thereby wealth. It is immaterial who does it. In point of fact, those who do it deserve all encouragement and incentives.

Nobody can dispute that the performance of private enterprise in India during the last few years has been commendable, in spite of the rigours of planned production. From time to time the difficulties that are increasingly standing in its way have been voiced by different individuals and representatives. It is significant that a common thread runs through all. The central theme has always been the present unhelpful tax structure, growing government regulations, unnecessary in part, overcentralisation, and so forth. Mr. G. D. Somani, in his presidential address at the AIOIE only mentioned once again the same obstacles, albeit in a lucid and convincing form. It is to be hoped that such words will carry their real purport and lead to a better atmosphere for everyone to operate to the benefit of the country.

A specially useful feature of the AIOIE Silver Jubilee celebrations is a well brought out brochure encompassing substantial information on the organisation as well as progress of labour legislation. In India, the comprehensive labour legislation of today is of comparatively recent origin though the beginnings can be traced to the middle of the last century. Then the need for such legislation had arisen for reducing the favourable position of Indian producers vis-a-vis the ruling British producers in England. The betterment of Indian working conditions, which was nothing more than negligible, was only incidental. Today the story, both historically and technologically, is radically different. India has progressed to the stage where workers have commenced to participate in managements, wage boards have been set up and programmes exist for training workers in healthy trade unionism. The brochure has succeeded in piecing together the thread of this fascinating story.

COFFEE IN THE BUYERS' MARKET

FACED WITH the two formidable problems of a collapsing world market on the one hand, and of mounting taxes and wages on the other, the position of the coffee industry in India today is really unenviable. It has become so, especially over the past 12 months, which marked the end of the sellers' market for coffee and the building up, once more, of large stocks of surplus, if not unsaleable, coffees in South America. Again, the last coffee year (1956-57) saw notably substantial increases in the wage bill by as much as 28 per cent, if not more — allowing for the incidence of Provident Fund, the rise actually amounts to as much as 34½ per cent — but also a sharp rise in the maximum rate of Income tax from 25 nP. to 40 nP. in the rupee under the rules of the Mysore Agricultural Income Tax Act, 1957. Together with the other taxes, this impost creams off almost half of what the industry earns! Coupled with these are the problems of poor equipment of the majority of coffee estates in the country and the grudging depreciation allowances allowed to them. Under such conditions, he would be an optimist, indeed, who could predict bright prospects for the coffee industry in India.

Speaking at the Annual General Meeting of the Coorg Planters' Association, held in Mercara the other day, Mr. Paterson, whose views on coffee are known to command considerable respect in both official and non-official circles, drew pointed attention to these problems, generally and to export prospects of coffee in particular. Apart from lower estimates of coffee crop in 1957-58 (which is placed around 39,920 tons, as against last year's (1956-57) record crop of over 41,600 tons), increase in wages, costs and taxes, there are several other handicaps besides which act as deterrents to stimulation of exports. Referring to these, Mr. Paterson said: "It must be remembered that for the past six years or more, our competitors abroad have been selling their coffee at world prices which, on occasions, have stood a hundred per cent higher than the controlled internal market prices in India". This prosperity has enabled them, as he said, to re-equip themselves from top to bottom for their capital requirements, which has greatly increased their competitive strength in the international market. It would naturally be difficult, in these circumstances, for the Indian estates to compete with foreign growers, should there be a protracted world slump in coffee prices. Viewed against this background, the C.P.A. Chairman's plea to make depreciation allowances more liberal so as to "enable the grower to make the necessary investment for the capital requirement of his property" seems quite unexceptionable.

TEA INDUSTRY'S PROBLEMS

THE TEA industry is at the moment faced with the problem of falling tea exports and the heavy burden

of taxation both at the Centre and at the State level. The competition of foreign competitors in India's export markets has become so intense that India has lost recently her share of foreign exchange earnings in respect of tea from 23 per cent to 16 per cent. East Africa and Ceylon are India's greatest rivals in the markets abroad. By way of example, it may be stated that while India's share in U.S.'s imports declined from 31.19 per cent in 1956 to 26.17 per cent in 1957, Ceylon increased her exports to the U.S. from 11.1 million lbs. in 1956 to 19.6 million lbs. in 1957. This is not the case only with the U.S., but in other markets like the U.K., too, the story is just the same. The problem is serious because tea is one of our greatest foreign exchange earners.

It is true that the Government has announced its decision to reduce the export duty on tea. But the delay in fixing and declaring the actual rates of duty is proving detrimental to our current exports. Mr. Ghose suggested at the recent annual meeting of the Tea Association of India that "the export duty should be calculated by taking three or four months average prices at the auctions. The fear of foreign buyers about the uncertainty can also be removed if the duty is changed once in six months and they could be attracted to buy more of our teas". A vigorous campaign of salesmanship also needs to be launched as suggested by Mr. Kanungo, if India is not to be ousted out of her foreign markets. In this context, it is heartening to learn that the Government would be sending a delegation abroad to some tea-importing countries to propagate tea sales. As the possibilities do not seem to be very bright at present for tea exports, the need is equally greater to cultivate the home market. It is for the producers to improve the quality of common tea by selective plucking and adoption of up-to-date manufacturing processes. More efficient and economical machinery for internal distribution is also the need of the hour.

A SOUND ASSESSMENT

A SURVEY of the Indian Economy, a pamphlet of 55 pages compiled by Place, Siddons and Gough, gives an extended review of economic conditions in the preceding year and assessment of prospects during the new year. The same tradition and comprehensiveness in coverage of economic conditions is maintained as readers are accustomed to in the Preface of Investors India Year Book, an annual publication. The complacency with which the Government has contemplated the destruction of savings invested in industrial equities, as a direct consequence of its fiscal and other economic policies, is aptly highlighted in the pamphlet.

It is common knowledge that the economy ran into trouble in 1957 and there was a slump in share prices. The relentless piling on of tax burdens, particularly in the form of direct taxes on income and wealth, personal as well as corporate, was responsible for affecting investment adversely. Though it is desirable that there should be greater equality in distribution of wealth and income, prudence requires that the urge for social justice should be kept within the limits imposed by the need to ensure rapid economic growth.

The future is viewed with cautious optimism. It is hoped that greater realism will prevail and future increases in fiscal burdens will not be so heavy as to drive investors to despair. A detailed picture of industries like the coal, cotton textiles, sugar, tea and the miscellaneous group is also provided for the benefit of those who are interested in individual industries. The pamphlet should be of valuable help to students of economic affairs. It has a healthy and critical note, while retaining complete objectivity and basing itself always on the facts.



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They know this label is
their guarantee that
garments will not shrink
out of fit...even after
many, many washings.

What they don't know is
the 'behind the scenes story'
which ensures the
complete reliability of all
cloth labelled 'Sanforized'.

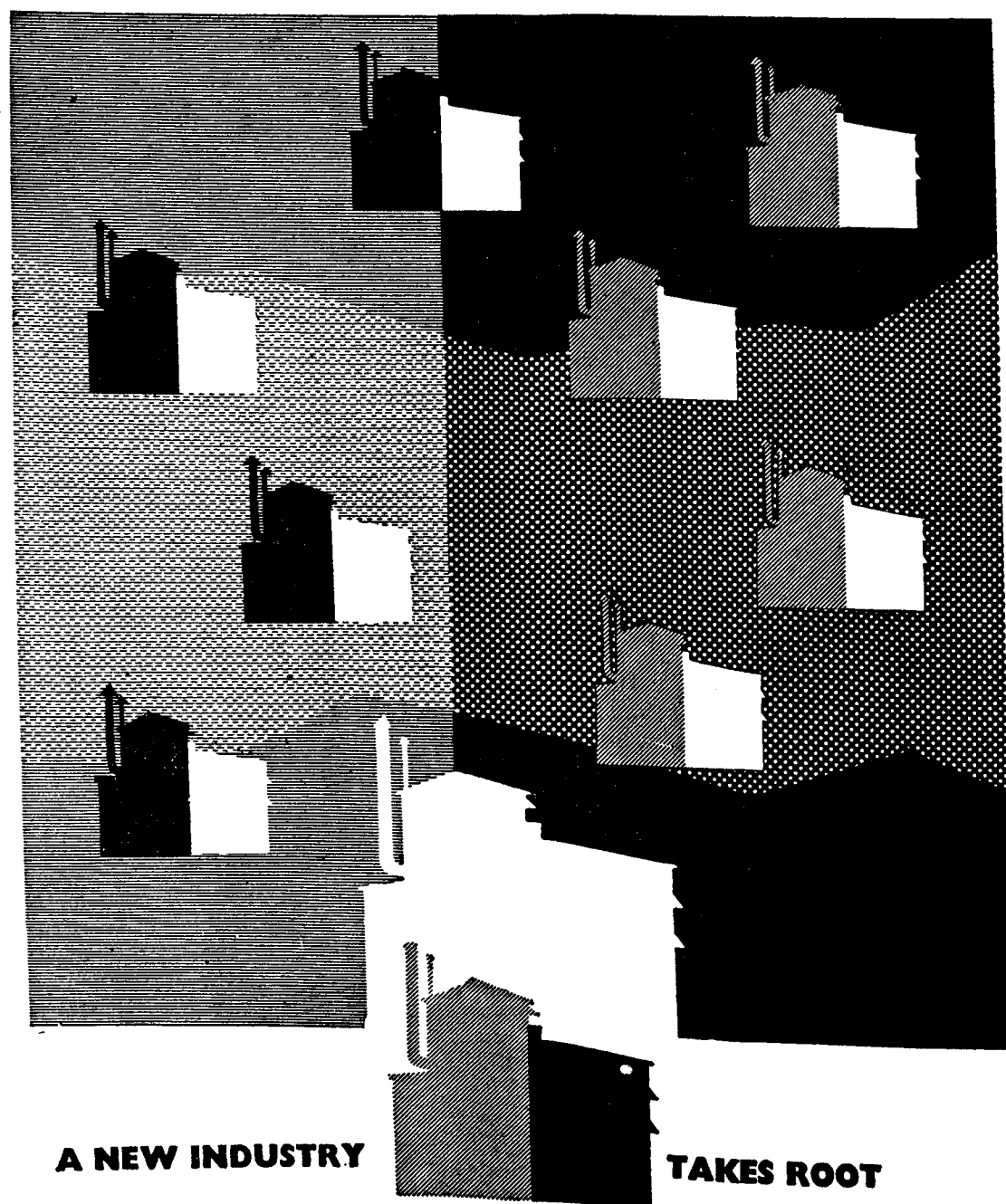
Anytime, unannounced
...our expert visits a mill
licenced to use the
trade mark 'Sanforized'.

Selecting samples of
cloth at random, he subjects
them to a rigorous international
wash-test, reports on his
findings. Only cloth which
passes the strictest anti-
shrinkage test can carry
the trade mark 'Sanforized'!

It's this kind of care plus
our advertising plus
experience which makes
cloth with the label
'Sanforized' such a sure
seller—such a
profit-maker for you!

Issued by Cluett, Peabody & Co., Inc., (Incorporated in the U.S.A. with limited liability) proprietors of the Registered Trade Mark 'Sanforized'. The use of the trade mark 'Sanforized' is permitted only on fabrics that meet this Company's rigid anti-shrinkage requirements.

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A NEW INDUSTRY

TAKES ROOT

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P-17, MISSION ROW EXTENSION, CALCUTTA

CONSULTING ENGINEERS TO THE IRON & STEEL INDUSTRY

Manufacture of ferromanganese is developing rapidly under the Second Five Year Plan with a target of 160,000 tons a year by 1961. The output of the plants, now complete or under construction in Orissa, Andhra, Mysore etc., will not only meet the needs of the country's growing steel industry but also leave a large surplus for export, earning over Rs. 10 crores of foreign exchange. Dasturco is proud of its close association with this new industry. As an organisation of consulting engineers, it is responsible for over half of the total ferromanganese capacity being developed in the country.

COMMODITY NEWS AND NOTES

AREA AND PRODUCTION OF 'RAGI'

According to the Directorate of Economics and Statistics, Ministry of Food and Agriculture, the all-India final estimate of ragi for 1957-58 puts the current year's area and production of the crop at 5,897,000 acres and 1,716,000 tons respectively, as against the partially revised estimate of 5,831,000 acres and 1,715,000 tons for 1956-57. This shows an increase of 66,000 acres or 1.1 per cent in area during the current year as compared to previous year. The increase in area during the current year has been shared mainly by Bihar and, to a lesser extent, by Uttar Pradesh, Andhra Pradesh and Bombay. This increase has, however, been offset to some extent by the decrease reported by the principal 'ragi' producing State of Mysore. The overall production of 'ragi' during the current year remains almost the same as in the previous year. Among the major States, considerable increase in production during the current year has been reported in Andhra Pradesh due largely to favourable climatic conditions during the period of growth. But this increase in production has been almost wiped out by the decreases in Mysore and Bombay. This estimate also includes information for the "non-reporting areas", i.e., areas for which forecasts are not prepared. The "non-reporting areas" for this estimate include Punjab and non-reporting pockets in Mysore, which together account for an area of 172,000 acres and a production of 57,000 tons during 1957-58.

PRODUCTION OF SUGAR IN 1957-58

The production of sugar in India during the year ending March 1958 was 21.95 lakh tons, as against 20.02 lakh tons during the corresponding period last year. Of this, 1.16 lakh tons were released for export and 19.69 lakh tons for internal consumption. The accumulated stock of sugar with factories on March 31, 1958, was 13.34 lakh tons.

IRON ORE DEPOSITS IN ANDHRA PRADESH

The total iron ore reserves in Andhra State are estimated to be about 430 million tons. The best quality of iron ore raving 50 to 65 per cent of iron content is found in district Kurnool which is estimated to have a reserve of 3.7 million tons. The quality of iron ore found in Hyderabad district with 37 to 43 per cent of iron content is estimated to be of the order of 37 million tons. The largest deposit has been traced in Guntur district—296 million tons—with an iron content of 33 to 37 per cent. Of the total reserves in the state, the poorest quality of iron ore with 25 per cent iron content only, is found in the district of Nellore which has 93 million tons of reserve.

HENNA—ITS MARKETING AND EXPORT

India exports about 85 per cent of its total annual production of nearly 70,000 maunds of Henna, bringing to the country approximately Rs. 15.5 lakhs in foreign exchange. Main importing countries are France, Turkey, Tunisia, USA, UK and Australia. Mentioned in the Bible as 'Camphire' and known to Greeks and Romans as 'Cyprus Shrub', Henna is called 'mehndi' in India. It is highly prized in Arabia, Turkey, India and Iran and its use is as old as the Egyptian mummies. While in India, China and West Asian countries, Henna is considered an important ingredient in beauty treatment, in USA, it is used as a tanning material and to some extent in the manufacture of medicines. In France and the UK, it is used for preparing cosmetics, hair-dye, nail polish and other toilet preparations. Henna is generally grown as a hedge and can thrive under varying conditions of soil and climate. Besides India it is cultivated on a large scale, in Egypt and the Sudan and to some extent in Iran, Madagascar, Pakistan and Australia. In India, its cultivation for commercial purposes is confined to the Punjab, Bombay, Madhya Pradesh and Rajasthan. Faridabad in the Punjab and Bardoli and Madhi in the Surat district of Bombay

State are two important Henna producing centres. A brochure on the marketing of Henna in India published in Hindi by the Directorate of Marketing and Inspection of the Union Ministry of Food and Agriculture gives detailed information regarding the various aspects of its production, use and marketing. Two varieties of Henna are commonly known to the trade—Delhi quality, produced in the Faridabad area of the Punjab, and Gujarat quality, grown in Bombay State. Delhi quality, which has a better dye-content, is marketed in the form of powder usually mixed with a specially processed scent in varying quantities. Gujarat quality exported in the form of leaves. India can maintain her position in foreign markets, the brochure points out, if standards of quality are observed by the trade. This can place Indian Henna in a more competitive position in importing countries and even open for it new markets in the world trade.

STANDARD FOR EDIBLE CASEIN

An Indian standard (IS: 1176-1957) for edible casein has been issued by the Indian Standards Institution. It prescribes requirements in respect of moisture, total ash, acid insoluble ash, fat, nitrogen etc. for the edible casein as also the method of packing and marking. Methods of test have been specified to verify conformity with the requirements. Casein is the chief protein of milk. It is manufactured from skimmed milk, by selected precipitation by the addition of acid, or by natural souring, removal of whey, and subsequent washing and drying of the precipitate. Being a good protein, it finds its use in the manufacture of predigested protein food for oral administration in case of protein malnutrition, gastric disorders and other disorders calling for protein supplementation. Copies of the standard, published in English, are available from the Indian Standards Institution, New Delhi and also from its branch Offices at Bombay, Calcutta and Madras.

B. I. C.

THE

BRITISH INDIA CORPORATION LTD.,
KANPUR.

Branches:—Cawnpore Woollen Mills Branch, Cawnpore Cotton Mills Branch, Cooper Allen Branch, North West Tannery Branch, New Egerton Woollen Mills Branch.

Subsidiary Company:—

**BEGG, SUTHERLAND & CO.
PRIVATE LTD.**

Managing Agents for:—Elgin Mills Co., Ltd., Brushware Ltd., The Cawnpore Sugar Works Ltd., Purtabpur Co., Ltd., Champarun Sugar Co., Ltd., Cawnpore Textiles Ltd., Saran Engineering Co., Ltd.

Secretaries of:—The Beta Picker Co. Private Ltd.

Agents for: The Royal Exchange Assurance.

COMPANY AFFAIRS

THE LLOYDS BANK LIMITED

The working results of the Lloyds Bank Limited for the year ended December 31, 1957, have recorded an all round expansion. In spite of credit restraint called for by the Chancellor of Exchequer, the expansion in business resulted in increased earnings. The Bank, however, found this expansion slightly costly because the operating costs continued to rise. This increase took place in respect of salaries and wages and other items of expenses. The Chairman of the Bank, Sir Oliver Franks, pointed out that with widespread branches providing a high standard of service in all offices the "banking operations on this scale must be of necessity costly". It was reflected in Bank's profit during the year under review.

The profit (after providing for taxation and making transfers to the contingency accounts) has dropped from £2,541,793 to £2,502,391. The fall, no doubt, is small but it is there in spite of the increase in Bank's deposits from £1,197 million at the end of 1956 to £1,258 million at the end of the year under review.

The working of the bank's branches in India during the last year is encouraging; there has been a steep rise in profits from Rs. 28.64 lakhs to Rs. 43.06 lakhs during the year. The deposits in the Indian branches have increased from Rs. 39.93 crores to Rs. 43.89 crores.

There was a sustained demand for Bank advances during the year. The Bank has played a distinct role in the financing of imports. Business in this respect was curtailed to some extent due to shortage of foreign exchange during the year under review. Despite, the level of advances has been fairly well maintained: fall in year-end figure being only Rs. 1.83 lakhs as against an expansion of Rs. 3.96 lakhs in deposits. Investments are also lower by over Rs. 1 crore, but there has been a corresponding rise in cash reserves.

JAMES FINLAY COMPANIES

All the balance sheets of the cotton textile industry that are being received show the impact of higher cloth excise duty which was levied in September 1956. Production was maintained but sales were lower resulting in the accumulation of stocks. The results of these two companies also show a considerable reduction of profits because the sales and prices could not be maintained.

THE FINLAY MILLS LIMITED

The working results of the Company for the year ended December 31, 1957 show a profit (after providing for taxation and depreciation) of Rs. 7.58 lakhs against Rs. 14.601 lakhs during the previous year. A sum of Rs. 6.13 lakhs was provided for depreciation and Rs. 3.30 lakhs for taxation. The Directors have recommended a dividend at the rate of Rs. 20 per share (free of income-tax). The balance of Rs. 37,155 has been carried forward to next year's accounts.

SWAN MILLS LIMITED

The working results of the Company for the year ended December 31, 1957, show a profit of Rs. 8.24 lakhs against Rs. 14 lakhs last year. The Company has provided Rs. 4.50 lakhs for depreciation and Rs. 6 lakhs for taxation. A dividend at the rate of Rs. 25 per share has been recommended by the Directors and a sum of Rs. 26,062 has been carried forward to next year's accounts.

THE TRAVANCORE RAYONS LTD.

The Travancore Rayons Ltd. shows a profit of Rs. 21,64,526 for the year ended December 31, 1957, as against Rs. 32,49,919 for the previous year. The profit has been arrived at after providing Rs. 34,54,812 for depreciation, as against Rs. 34,29,465 for the previous year, Rs. 1,05,142 for Wealth Tax, as against nil in the previous year, and Rs. 9,06,882 towards Excise Duty as against nil in the previous year.

The lower profit figure is, of course, due to lower production of rayon which, in turn, the management ascribes partly to the incidence of the Excise Duty and partly to the dislocation caused by the strike in the Company's Works which lasted for nearly a month. Referring to the Excise Duty, the Directors say in their latest Report: "The imposition of Excise Duty by the close of 1956 had an unfavourable effect on the selling price of Rayon Yarn, and practically during the first half of 1957, sales left very little margin of profit. Under the prevailing market prices, it was not possible to pass the new impost to the buyer, and the manufacturers had to bear the burden almost themselves by way of an increased cost in production. Further, the market was slow in adjusting itself to the impact caused by the new imposition."

Out of the profit plus the amount carried forward from the previous year (Rs. 2,63,690), the Directors have recommended a transfer to the General Reserve Account of Rs. 10,00,000 and a dividend of ordinary shares at 10 per cent per annum, besides, of course, the preference dividend. The carry forward to the current year amounts to only Rs. 1,78,216. The financial position of the Company has considerably improved, the total borrowings registering a sharp reduction of Rs. 23,96,542.

Although the Company made great strides in the manufacture of moisture-proof heat-sealing cellulose film, the demand for which continued to be steady from the tobacco manufacturing industries during the first half of the year, there was considerable accumulation because the installed capacity of the plant at 5 tons per day was found to be in excess of the country's demand, but after July, 1957, thanks to the change in the import policy of the Government, all the accumulated stocks were disposed of. Notwithstanding this, the year 1957 proved to be a year of "profitless prosperity", to quote the Chairman. However, the Chairman has expressed the hope that, with the extended capacity of the Works going into full blast the year 1958 will be a better one.

THE CHEMICAL AND ALKALI DISTRIBUTORS LTD.

How close collaboration with the State Trading Corporation has benefitted a new Company is evident from the second Annual Report of the Chemical and Alkali Distributors Ltd. Bombay. Actually, the Company was formed to take over distribution of alkali and chemicals imported by the S.T.C. Perhaps because of this timely co-operation, the Government also extended the favour of direct import licences to the new Company, last year. This year, again, New Delhi has given the new Company import licences for 3,000 tons dense Soda Ash for the last half-yearly licensing period ended March, 1958.

Presiding over the second annual meeting of the Company, the Chairman, Mr. Nagindas P. Patel, complained that the efforts of the Company at securing distribution of the product of Indian manufacturers have been of no avail so far. Probably this has led the Directors of the Company to intensify their efforts at getting an increase in their distribution quota of imported caustic soda and soda ash and also to secure imports of some other chemicals from the S.T.C. The young Company has also ambition to start manufacturing some alkalies itself, and a concrete scheme is expected to be ready soon.

Within the brief period of two years, the Company has not only written off the first year's loss and all preliminary expenses, but has made a net profit of Rs. 1,15,196. This has yielded Rs. 65,000 to the exchequer, by way of taxes, and a dividend of 9 per cent to the shareholders, including a bonus of 1 per cent for the past year. This is, indeed, a creditable record for a young Company with less than Rs. 5,00,000 paid-up-capital.

Company Meeting

The Bangalore Woollen, Cotton & Silk Mills Co., Ltd.

CHAIRMAN'S SPEECH

Presiding at the Seventy-fifth Annual General Meeting of the Shareholders held at the Registered Office of the Company, Agraharam Road, Bangalore City on Saturday, 26th April, 1958, Mr. E. J. M. Leigh said:

Gentlemen,

The Directors' Report, Balance Sheet and Profit and Loss Account for the year ended 31st December, 1957, having been in your hands for some three weeks, I propose with your consent to adopt the usual procedure and to take them as read.

The year 1957 will long be remembered as a most difficult trading year for the Cotton Textile Industry as a whole and I only wish I could see prospects of an early liquidation of the heavy stocks carried forward into the current year.

In my speech yesterday to the members of your Sister Company, I tried to diagnose the cause of the malady and to suggest some remedial measures, but it is a complex problem and there can be no short period of convalescence.

Painful corrective forces are already in operation and Mill output in the first quarter of 1958 fell by 132 million yards compared with the corresponding period last year, but exports also fell by about 90 millions. The Industry can help itself by improved market research and by restricting production of particular types to quantities that the market can be expected to absorb. There has undoubtedly been a shift towards the coarse end of the trade and serious over-production in certain items, notably coarse dhoties and sarees. According to Press reports the production of these two items rose from 9 and 2 million yards in 1955 and 44 and 27 millions in 1956, to the astonishing figures of 172 and 200 million yards respectively in 1957.

The increased consumption of Indian cotton has kept up market prices and affected India's competitive position in Overseas markets.

It is not only the composite Mills which are in difficulty; several have closed down and others have suspended shift working; but the Spinning Section is also hard pressed to finance stocks which the Handloom Industry has been unable to absorb, and for which there is little, if any, export outlet.

World trade in Cotton Textiles continues to shrink as one country after another, including cotton producing countries, adds to its own spinning and weaving capacity. In the face of intensifying competition India's export trade must fall unless ways and means can be found substantially to reduce manufacturing costs. The Industry certainly cannot afford any additions to wage bills which are unrelated to reasonable workloads and improved efficiency.

In the face of intensifying competition in Overseas markets your Company was unable to do more than

its previous year's volume of exports at Rs. 19.5 lakhs.

In spite of the generally adverse circumstances, your Company achieved reasonably successful trading results and was not embarrassed by an accumulation of stocks. In the face of very heavy excise duties and sales tax rates which caused considerable sales resistance it was not possible to increase prices to cover the rising costs of raw materials, stores, machinery parts, wages and especially Dearness Allowance. These developments have in no small measure contributed to the lower profits earned in 1957.

In the Woollen Section the high prices that had to be paid for raw materials during the greater part of the year, coupled with keener competition, prevented this department from maintaining the improvement recorded in 1956 and I regret to report that a loss was incurred in this department. However, with an alteration in your Company's Manufacturing Programme, we hope to improve sales and take full advantage of the recent trend towards better quality purchasing on the part of the public.

The Mill's Silk Section has been seriously handicapped by severe import licence restrictions on Spun Silk. From our point of view, to be deprived of supplies of an essential raw material was a disaster, but it was our duty to produce acceptable substitutes from indigenous material as in times of foreign exchange shortage, the import of luxury raw materials naturally has to be curtailed. We were able to introduce other varieties, but I must make it clear that the consumer is not prepared to buy an expensive product like silk unless the quality is of a high standard. The Government is aware of the necessity to improve the quality of indigenous flature and spun silk and it is not beyond the capacity of local producers to achieve the high standards of quality that are recognised internationally. The Sericulture Industry has therefore an opportunity and it is hoped that it will take advantage of it. In spite of our best efforts, mainly due to the quantity of suitable indigenous spun silk being limited, the Company was compelled to shut down part of its Silk Plant.

During the year, sales of our popular Union fabric, Cotswol, and of the heavier cloth, Angola, were maintained and it is gratifying to note that Angola continues to be supplied to the Armed Forces and that the demand for it by the general public is increasing.

In his speech last year, my predecessor, Mr. Castell, mentioned that your Directors had accepted an allocation of 96 new automatic looms from Government, 24 of which were to be made in the country. However, the installation of these looms was made subject to such exacting and penal conditions with regard to exports, that the scheme proved impracticable but your Directors will pursue this proposal should it become

possible later on to install additional plant on acceptable terms.

Two measures of relief were introduced in December last in the shape of a reduction of 6 pies per square yard in the rate of excise duty applicable to "Medium" cloth, in which category stocks were the highest, and replacement of all Sales Taxes on cloth, Central and State, by additional excise duties. Further concessions were announced in March this year applicable to all categories and advantage was taken at the same time to express the rates in naya paisa. Supplies can now reach the consumer at lower prices and some measure of confidence within the trade has been restored, though it is too early yet to determine whether these concessions will prove adequate in the long run and permit a reduction of stocks to normal levels.

Your Company's programme rehabilitation and replacement of machinery has been retarded by the difficulty in obtaining Import Licences for essential plant and spare parts, not yet manufactured in the country.

Your Directors are fully alive to the vital necessity for improving plant efficiency and installing machinery of the latest type. I am glad to report that the new Molten Metal dyeing range went into operation during the year.

The water supply position in Bangalore is giving your Directors some concern particularly so in view of the fact that at times our intake of Corporation water is restricted by the Authorities at very short notice.

Government's difficulties in this matter are understood but, whilst we fully appreciate that the requirements of a growing industrial area must be carefully considered, we are left sometimes with the impression that those in control seek an "easy solution" by curtailing first, their largest consumer, incidentally one of their oldest customers.

In an endeavour to solve this problem, bore wells have been sunk and everything possible will be done to make the Mills as independent as possible. Nevertheless a considerable quantity of water will always be needed from the Corporation Authorities.

Our relations with our labour have not been entirely happy during the year. Much time has been devoted to considering very comprehensive demands from our workers and a great deal of time has been spent arguing issues before the Industrial Tribunal and other Authorities. At times production has suffered because of indiscipline. However, I am pleased to inform shareholders that wiser counsels in the Association appear now to be prevailing and it is very much to be hoped as a result of current negotiations, which are being conducted in a spirit of give and take, that a compromise agreement will be reached with the Labour Association which will go far towards ensuring industrial peace for some years to come.

Turning to the accounts, you will see that the Balance Sheet reflects the steps which were taken during the year to bring the capital more into line with that employed in the business when Rs. 81,00,000 of the General Reserve were capitalized by the issue of Bonus Shares involving a liability to tax amounting to Rs. 24,30,000. Unfortunately the terms of the 1958 Finance Bill offer no relief in respect of this controversial tax. As mentioned in the Directors' Report this liability has been provided for partly by the transfer of Rs. 20,00,000 from the Reserve for Taxation and the balance from the Rs. 8,00,000 drawn from the General

Reserve to meet additional tax burdens.

By the transfer from the reserve for "Reconstruction" to a "Deferred Taxation Reserve" provision has been made against the diminution of the allowances for Depreciation in Income Tax Assessments in future years resulting from the substantial reduction in the income tax written down value of assets acquired in recent years due to the allowance on initial and extra normal depreciation.

The liability of the Workpeople's and Employees' Provident Funds as at 31st December 1957 amounted to Rs. 74,30,758 and Rs. 4,70,519 respectively; corresponding amounts have been invested in Trustee Securities and these are held by the Trustees of the Funds.

I feel you will wish to join me once again in expressing appreciation of the valuable work done by the executive and supervisory staff of the Management and the Mills in a very difficult year.

I cannot conclude my review without reference to my friend and colleague Mr. R. E. Castell, who retired from India at the end of March this year, and who has been your Chairman since 1952. Mr. Castell won the affection and esteem of all those with whom he came in contact and his services as Chairman and Director were invaluable. I am happy to say that Mr. Castell will maintain an association with your Company and during his visits to India in the future we hope to draw on his experience and benefit from his wise counsel.

NOTE: This document does not purport to be a report of the proceedings of the General Meeting.

THE RECORDS & STATISTICS (Quarterly)

New Subscription rates in force from 1st May, 1957.

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The Subscriptions are to be renewed on Volume basis and not on yearly basis. Each Volume contains four quarterly issues.

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RESERVE BANK OF INDIA ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSET						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupree Coin	Rupree Securities	Total Assets
1948-49*	1,231.84	22.02	1,253.86	42.49	907.47	949.96	75.43	42.98	265.62	1,253.86
	(5.58)	(—)	(5.58)					(90)		(5.58)
1949-50*	1,128.94	24.00	1,152.94	40.02	647.04	687.06	59.59	50.53	415.36	1,152.94
1950-51*	1,163.21	17.19	1,180.40	40.02	624.70	664.72	56.31	57.21	458.47	1,180.40
1951-52*	1,189.84	27.78	1,217.62	40.02	625.27	665.29	54.64	63.98	488.36	1,217.62
1952-53*	1,114.84	27.87	1,142.72	40.02	604.40	644.42	52.89	80.22	458.08	1,142.72
1953-54*	1,133.95	23.03	1,156.97	40.02	694.02	734.04	54.80	92.83	430.11	1,156.97
1954-55*	1,196.19	22.98	1,219.18	40.02	648.81	688.83	56.58	102.26	428.09	1,220.18
1955-56*	1,339.39	17.08	1,356.47	40.02	656.52	696.54	51.35	106.87	553.06	1,356.47
1956-57*	1,475.77	18.75	1,494.52	40.02	645.61	685.63	39.95	115.93	755.22	1,494.52
			(117.76)			(663.37)	(44.37)			
1957-58*	1,529.86	23.13	1,552.99	117.76	329.38	447.14	28.79	130.02	975.84	1,552.99
Average of Fridays										
August 1957 ..	1,495.65	30.71	1,526.37	117.76	369.52	487.28	31.92	131.22	907.87	1,526.37
September ..	1,477.66	36.41	1,514.07	117.76	338.60	456.36	30.14	133.82	923.89	1,514.07
October ..	1,487.74	26.43	1,514.17	117.76	317.92	435.68	28.78	133.92	944.57	1,514.17
November ..	1,481.61	32.86	1,514.47	117.76	293.14	410.90	27.13	134.22	969.35	1,514.47
December ..	1,508.32	14.69	1,523.00	117.76	278.95	396.71	25.28	132.76	993.53	1,523.01
January 1958 ..	1,533.77	13.77	1,547.54	117.76	256.42	374.18	24.18	131.41	1,041.95	1,547.54
February ..	1,551.89	18.01	1,569.90	117.76	245.54	363.30	23.14	129.78	1,076.82	1,569.90
March ..	1,576.97	11.44	1,588.42	117.76	208.37	326.13	20.51	128.36	1,133.93	1,588.42
April ..	1,626.20	19.48	1,645.68	117.76	224.58	342.34	20.80	130.63	1,172.72	1,645.68
Week-Ending										
4-4-1958 ..	1,619.89	7.94	1,627.83	117.76	216.07	333.83	20.51	121.57	1,166.23	1,627.83
11-4-1958 ..	1,638.22	13.18	1,651.39	117.76	226.07	343.83	20.82	131.34	1,176.23	1,651.39
18-4-1958 ..	1,627.77	23.87	1,651.64	117.76	227.39	345.15	20.90	131.58	1,174.91	1,651.64
25-4-1958 ..	1,619.13	32.94	1,652.07	117.76	228.80	346.56	20.98	132.01	1,173.50	1,652.07

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS					Other Liabilities†	TOTAL LIABILITIES & ASSETS*	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad §	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Banks	Others	Total									
1948-49*	222.17	16.93	80.53	56.52	393.72	15.33	419.05	22.12	4.28	307.78	1.71	3.34	75.65	4.14
	(14.33)	(3.04)									(1)			
1949-50*	141.19	23.12	67.00	64.39	295.69	15.76	321.45	24.12	4.30	280.91	3.35	8.39	980.54	4.34
1950-51*	148.60	17.71	62.22	62.29	290.82	18.14	318.97	17.31	3.04	107.70	2.37	6.77	76.72	5.06
1951-52*	181.30	15.95	58.68	89.22	325.15	18.62	353.77	27.92	6.31	187.14	5.90	19.42	95.19	11.91
1952-53*	136.40	7.79	52.89	61.93	259.02	23.69	292.71	28.03	6.64	133.56	2.85	19.03	89.77	12.83
1953-54*	105.44	23.40	46.52	57.45	232.80	23.91	266.72	23.22	9.46	123.31	1.78	19.84	81.58	7.51
1954-55*	89.13	20.66	55.20	36.29	201.28	23.62	234.90	23.24	6.10	87.53	1.14	26.55	80.52	9.82
1955-56*	60.11	19.85	53.77	18.31	152.04	35.59	197.64	17.21	9.78	66.96	1.73	36.99	49.36	15.61
1956-57*	57.52	14.10	52.46	19.73	143.81	91.21	245.02	18.91	5.09	64.77	4.89	85.34	51.82	13.60
1957-58*	54.44	11.35	80.93	111.59	258.31	83.18	407.74	23.26	4.95	40.90	33.00	77.75	213.56	14.34
Average of Fridays														
August 1957 ..	65.46	7.40	90.60	128.86	290.31	46.20	421.51	30.84	3.38	20.94	31.46	81.90	244.49	8.49
September ..	51.52	7.96	101.87	110.31	271.66	49.15	405.61	36.54	5.99	27.32	42.90	68.80	211.07	12.99
October ..	51.93	7.91	98.04	111.25	269.12	58.59	410.71	26.53	3.04	18.34	49.26	72.21	223.35	17.98
November ..	52.89	8.94	104.79	110.91	277.53	58.06	420.59	33.00	2.28	24.37	41.23	58.22	244.15	17.35
December ..	57.64	8.22	75.00	115.07	255.93	58.52	399.46	14.80	4.78	24.38	36.07	55.13	249.08	16.22
January 1958 ..	54.97	21.36	68.29	114.61	259.22	72.24	416.46	13.88	2.83	31.49	35.40	68.03	248.17	16.67
February ..	54.24	17.59	73.50	113.24	258.56	73.15	416.71	18.12	2.49	33.76	39.20	68.03	239.08	16.04
March ..	50.45	40.99	70.26	116.92	278.62	82.68	446.29	11.56	9.16	67.23	33.55	75.10	235.97	13.74
April ..	52.50	12.40	86.01	115.48	266.39	81.66	433.05	19.59	19.12	50.41	47.53	59.63	222.87	13.90
Week Ending														
4-4-1958 ..	55.27	7.24	81.06	116.32	259.89	88.03	432.93	8.01	12.72	68.34	37.63	73.92	218.11	14.19
11-4-1958 ..	49.23	13.63	77.84	116.56	257.27	81.14	423.41	13.31	25.92	51.82	46.59	55.53	215.94	14.29
18-4-1958 ..	52.45	13.09	90.99	116.73	273.26	77.88	436.14	23.99	20.44	42.48	51.17	54.37	230.14	13.54
25-4-1958 ..	53.05	15.64	94.14	112.32	275.15	79.59	439.74	33.06	17.38	39.01	54.72	51.69	227.27	13.60

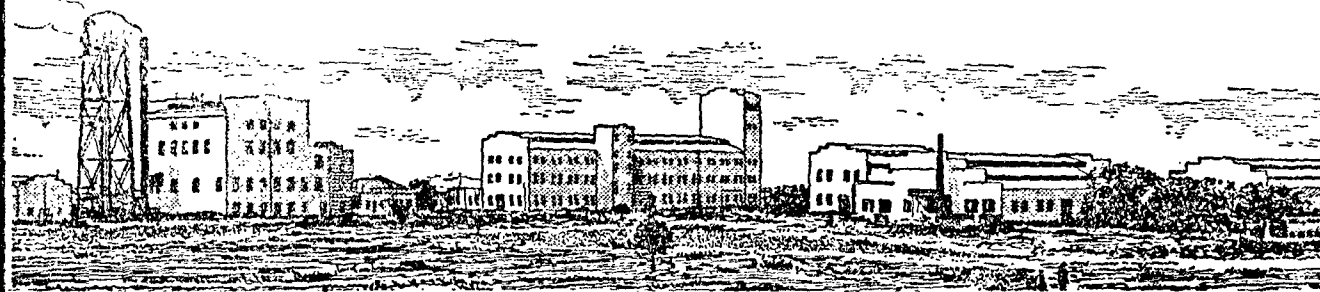
* Average of Fridays. ** Includes (i) paid-up capital of Rs. 5 crores and (ii) reserve fund of Rs. 5 crores up to June 28, 1957 and of Rs. 80 crores from July 5, 1957. † Includes National Agricultural Credit (Long-term Operations) Fund of Rs. 15 crores from July 6, 1956 and of Rs. 20 crores from July 5, 1957 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 2 crores from July 5, 1957. § Includes cash and short-term securities Figures in brackets refer to Pakistan. NOTE: The Gold Reserve of Issue Dept. are revalued at Rs. 62.50 per tola from Oct. 6, 1956.

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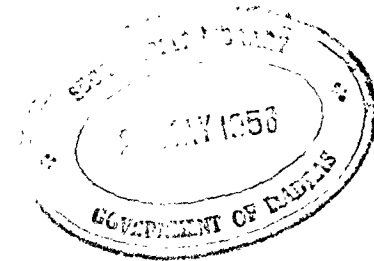
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Printed and Published by Devi Prasad Sharma at the Hindustan Times Press,
for "The Eastern Economist" Ltd., 52, Jan Path, New Delhi. Editor:—E. P. W da Costa, M. A. (Oxon.)



The Eastern Economist

VOL. XXX. NO. 20.

NEW DELHI: MAY 16, 1958.

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The Great Inquisition

ALL last week the Congress Party wrestled in Delhi passionately with its own conscience. Beginning with the Prime Minister's complaint that he was "out of tune" with the organisation and public life in the country, and ending with the A.I.C.C. session, there has been exhibited for the public view many of the disorders which enter deep into the Prime Minister's mind and also into the minds of different sections of a motley following. While the Prime Minister complained of inadequate attention in curbing "Hindu Revivalism" and "Casteism" and "Communalism", his followers complained of his lack of contact with back-benchers, in the first instance, and, less forcefully, with Congress workers among the people. The "Ginger Group" inside the Congress

wished him to be more precise on his Socialism, while he thundered against academic rigidity. All in all, the spectacle has not been an illuminating one, and almost nothing has been settled except that the Congress has a bad conscience, and wishes to root out the heresies which, if discovered, could be proved to be the cause of its current malaise.

The Prime Minister appeared in the form of the Grand Inquisitor, drawing, over and over again, attention to two particular heresies which in his mind were the major source of the trouble. Communalism, nurtured by Hindu revivalism, he thought, was the Number One; presumably as a result he noted the unfair

treatment given to the minorities. The charge was vague, but in particular he referred to the harsh treatment given to the Urdu script (and language) in areas where it had a special place. He also implied, though this he did not say, that the minorities were not well treated elsewhere. Most of this puzzled and dismayed his audience, and has confused and, in a sense, dismayed the country. It has confused the country because it cannot possibly be asserted that, so far the minorities are concerned, the public has had any part in their ill-treatment or otherwise. It is essentially the Central and the State Governments which are concerned. It is the Executive, neither the Party nor the people, that doles out the loaves and fishes of office. If it is a fact that the minorities are not well treated — and there is some evidence to show that this is the case — why has the Central Government not provided the remedy? Taking the matter to the A.-I.C.C. instead of dealing with it directly, is curious; it looks as though the Prime Minister, like Don Quixote, was seeking some strange windmills at which to tilt. He referred to the derogation of Urdu, but did not refer to the point, for which he should take major responsibility, that the Christian community has continued to feel itself misused in that, while Muslims and Sikhs are represented in the Central Cabinet, a Christian has been excluded. If it is a fact that the minorities need this assurance of representation, why has the post of a Christian Central Minister been unfilled. Surely, the Prime Minister's argument on this point has always been that in a Secular State, over which he presides, the majority community can be trusted to behave generously towards the minorities. But if he holds this view inside his own Cabinet, surely he cannot hold the opposite view in A.-I.C.C. meetings. In effect, he has convicted himself of a severe contradiction, and has placed improperly upon the shoulders of the general public a complaint which it certainly cannot bear.

Quite apart from the confusion caused by transferring an error of the Central and State

Governments to the public at large, there was little in the Prime Minister's complaint on Casteism and Communalism which carried specific or widespread conviction. The belief is widely entertained that while Casteism and Communalism exist in Indian democracy — because Indian democracy is, in fact, a reflection of the social and religious life of the country — there has been no amazing recrudescence of Hindu orthodoxy to call for a major *démarche* on the subject at the current session. It is perfectly arguable that long-range correctives should be applied, but can there be any meaning in the charge the Prime Minister made that it is Communalism which is holding back the implementation of the Plan? The Indian people have the right to ask what precisely is the relation between the two. Or is Communalism, by definition, the source of all evil and for all time?

It is obvious that the Prime Minister has got his outlook on India a little out of focus. At a time when the Food Minister was referring in the Rajya Sabha to the terrible conditions in West Dinajpur, in which a citizen of India was forced to sell his child because he was unable to feed it, the Prime Minister was silent on the failure of current District food administration. It is time, instead of talking about a more flexible or more rigid definition of Socialism, the Ginger Group in the Congress Party asked itself how in the socialistic pattern of society, the West Dinajpur incident could be so callously ignored. In its anxiety to wrestle with shells, the Congress Party this week missed all the substance. The common man of West Dinajpur came and went. It seems he was unseen. All this has happened because men of great integrity can be truly blind when they are absorbed in shadows in their minds. The Prime Minister must ask himself, looking at West Dinajpur, whether he has not spent the whole of last week on a wholly academic and unreal thing. It is not only the Ginger Group which is rigid and orthodox beyond belief, and to the point of betrayal of the common man.

Complacency in the Air

THE chronic deficit in the financial working of India's domestic airlines is assuming a proportion which cannot but be a cause for considerable concern. It is plain beyond doubt that the deficit is mounting up since the State took over the airlines in August 1953. During the first eight-month accounting period ended March 1954, the total deficit ran at an annual rate of a little above Rs. 118 lakhs. There was sizeable reduction in the financial year 1954-55 when the deficit was held at Rs. 90 lakhs. The last two years, however, saw a rapid reversal of this trend, carrying it to new peaks in the neighbourhood of Rs. 120 crores. It was this disconcerting feature which was in fact at the root of the demand for a debate on civil aviation in the Lok Sabha. But the course of the debate, held last week, showed failure on the part of the participants to face the issue squarely.

Nor can it be said that the Minister for Transport and Communications as well as his Deputy were forthright in telling the House the remedies that must be applied to reduce the deficit to a minimum. The Deputy Minister only hinted at the imminent increase in passenger fares and freight rates. He did not emphasize the fact that this remedy will be inadequate and

something more will have to be done. Mr. S. K. Patil argued the case for a sustained campaign for the creation of increasing air-mindedness, which, in the final analysis, was the effective answer to the demands of financial equilibrium. Conscious effort to spread the habit of air travel will no doubt tap the potential demand. But it cannot be overlooked that this is also mainly a function of growth of national income. The Minister pleaded for the patience of the House to bear losses on the domestic airlines "for another ten years" and to postpone strict application of the criteria of commercial operation to their financial management until then. This projection may turn to be as good as any other, unless firm action is taken to put financial operations on a sound footing. But is the Indian public prepared for a decade to subsidise air travel? The socialist pattern of society should rebel against such a bias in favour of the comparatively rich.

The Transport and Communications Ministry is obviously taking too complacent a view of our domestic airlines. A significant passage from the speech of Mr. Patil lends strength to this apprehension. He said: "In less than five years of nationalisation of civil aviation, we have rendered, by and large, a magnificent account of ourselves.

I do not say this because I am in charge of this particular department, but you can take any impartial opinion anywhere in the world. I am very proud to say that today our lines, AII and IAC, are among the most progressive and efficient airlines in the world." There can be no two opinions that the record of Air India International deserves this compliment. But if any such verdict has been passed at all in respect of the Indian Airlines Corporation, it is to be seriously questioned whether it is based on full knowledge and proper information about its operational and financial performance. The fallacy in this sweeping assertion apparently lies in bracketing the IAC with the AII.

The salary bill and fuel costs account between, them for more than 65 per cent of the total costs. And both of them are rising steeply. The increase in salaries and allowances of staff was of the order of Rs. 59 lakhs in 1955-56 over the previous year. The latest estimate of the increase since nationalisation, provided by the Minister, places it at Rs. 84 lakhs which includes, probably, the fresh element of additional burden, consequent on the award given by the National Tribunal in February last. The consumer as also the taxpayer have now been educated in accepting with grace higher burdens of wage bills in nationalised enterprises totally unrelated to productivity. This increase is easily the largest single factor in aggravating the volume of deficit in the finances of the IAC. There is no escape from an upward revision of fares and rates. The Air Transport Council, which was charged with the task of examining the fare and rate structure as early as September 1955, showed scant regard for the time factor and tendered its report in May last year. Another year has been allowed to elapse by the Communications Ministry which is still making up its mind on the report. The all-round increase in fares and rates which is inevitable cannot be pushed beyond the point where the incidence of higher charges will depress the volume of traffic. The additional revenue from

this increase will wipe out a small part of the deficit.

Impressive relief can come from restoration of the rebate on aviation spirit which was discontinued after nationalisation. This change will make no difference to the exchequer since reduction of the deficit via the rebate will cause a proportionate reduction in revenue from the duty on aviation petrol. But the justification of the rebate lies in toning up the morale of the staff and the management. The Estimates Committee has endorsed the rebate precisely on this ground. Relief through the rebate may close the deficit by an amount around Rs. 50 lakhs on the basis of a rate of 50 per cent of the duty. The gap will still persist.

The IAC has shown surprising inability to arrest a retreat in certain spheres of operation. The volume of freight traffic carried by the scheduled services, after recording a spectacular increase in 1955 and 1956, sunk in 1957 to a level of 85.09 million lbs. which is about 2 million lbs. below the volume in 1951. The IAC finds it difficult to cope with anything more than 50 per cent of the non-scheduled traffic, while it rests content with chartering its own planes to non-scheduled operators to lift part of it. Surely there must be something radically wrong with its salesmanship. The eight Herons, specially commissioned to intensify operations on feeder routes, have all been grounded involving a dead loss. The question needs to be answered why their suitability or otherwise to Indian routes could not be ascertained technically before the investment was risked. No light is thrown on what measures are being taken to exploit the feeder traffic potential. All these questions, though raised in the debate, went unnoticed in the replies of both the Ministers. There is no evidence of setting up a carefully trained organisation to conduct traffic surveys either to rationalise the present operations or to rationalise the conventional pre-nationalisation route-pattern. There is too much complacency in this large and strategic public enterprise.

Guest Editorial

The Case for Consumers' Councils

(By A. C. GUHA, M.P.)

IN a competitive economy price is an important factor as an index of the general trend of production and economic growth in the society. The value of an article is a subjective thing, cost is a measure for the producer; and price is the social aspect of the commodity. The law of value can be called an economic law for the production of goods and commodities which regulates their exchange; and that is often done in accordance with the amount of socially necessary labour required for production. But price fluctuates round about the value and regulates the production of commodities. In a competitive economy the whole production process is regulated and controlled by the price mechanism.

But under socialist or government control the position is very different. There, price is not always the determining factor for production and supply of certain commodities. The price of those commodities is not always adjusted by their demand and supply position. In a socialist economy the effectiveness of price is neutralized by government or socialist monopoly over the production

and supply of certain commodities.

Under socialist control the position of the consumer has become very difficult. At one stage it was thought that under public ownership, social and economic anomalies would disappear and that the interest of the consumer would have supreme consideration. During the last few decades even in capitalist societies many services and goods have come under public control either under municipal supervision or under government control or under government-sponsored corporations. It cannot be said that the interest of the public or of the consumer has been receiving due consideration, under such public ownership. Public ownership naturally means monopolist production at least within a limited sphere and so the public has no option or choice; the consumer is to consume the commodities supplied to him and in some cases to pay for it even if he does not consume it.

The helpless position of the consumer came out rather glaringly in the recent case of the price-

ing of cement by the State Trading Corporation. Suddenly on some calculation (subsequently proved to be wrong) the price of cement was increased by about Rs. 13 per ton. The consumer had no alternative but to pay that price. The pricing of Sindri Fertilizer very often came in for criticism. Price equalization, freight equalization, commission etc. so many things come up under government control against which the consumer has no remedy. The price is fixed by a Board or a body of officials.

Prof. Arthur Lewis has stated: "It is incompatible with democracy that a small Board shall be given power over immense resources, over the lives of hundreds of thousands of workers and the satisfaction of millions of consumers without formidable controls over their actions". It should be realized that price fixation in a government-controlled economy is almost tantamount to increasing or reducing the excise duty. The sudden increase in the price of cement by about Rs. 13 per ton was practically an excise duty imposed on the consumer. That charge has more or less been accepted by the Government and this year they have rectified that mistake. Similar things may occur in the case of fixing the price for any commodity whose production and/or supply is controlled by the Government. Prof. Lewis has suggested that "Whenever a public corporation is established, there should be established at the same time an expert tribunal, to whom the public may refer complaints in respect of services or charges".

The Fiscal Commission of 1950 also made certain comments on the "commercial and financial policy that the Government or semi-Government industrial undertakings should follow". The Commission was of the opinion that the commu-

nity should know the cost of the commodities produced by government undertakings and should be satisfied that this cost is equitably distributed and that the decisions of the public authority are taken democratically. To ensure these purposes the Commission recommended—(i) periodical review of those undertakings by a competent authority, (ii) constitution of consumers' councils attached to a government or semi-government undertaking and (iii) constitution of tribunals on the lines of the Railway Rates Tribunal with functions more or less similar.

The consumers' councils and the rates tribunals as appellate authorities are necessary not only for the interest of the consumers as regards price fixation but also for the economic working of each government undertakings. There have been general complaints that costs of production in government undertakings are higher than in private undertakings and that those in charge of government undertakings do not pay proper attention to the economic use of the money and the resources placed at their disposal. The consumers' council and the rates tribunals may look into the working expenses of the undertakings. So both for the interests of the consumer and also for the economic and proper utilization of government resources, the consumers' councils and the rates tribunals should be set up—particularly in view of the gradual expansion of the public sector. It is admitted that the public sector has its merits, but price flexibility is not one of them. The influence of price in the adjustment of cost of production or in the programme of production is not operating there effectively. That is why the formation of the consumers' councils and the rates tribunals as courts of appeal is necessary.

THE WEEK'S NOTES

THE CONTINUING CONTROVERSY

WHILE A Parliamentary Committee with the Home Minister as the chairman is wrestling with the problem of official language it is natural that suggestions should be pouring in from many sides perhaps with a view to influencing its decision to the extent possible. Many of them have often been too partisan to merit serious consideration. But Mr. K. Santhanam while speaking at a Language Convention in Madras recently has tried to look at the problem as dispassionately as possible and made some suggestions for resolving the tangle. Faced with many complications, he has tried to strike a golden mean between two extreme points of view. Inevitably, therefore, though based on a pragmatic approach, the solutions he has suggested have the weaknesses and virtues of compromise. He finds that since Hindi has been made the official language by the Constitution, there is no way except to accept the position. At the same time he sees the enormous difficulties involved in any sudden replacement of English which would injure the progress of the country. Hence he finds that prudence lies in extending the time-limit by another 15 years from 1965 for the transition to take place.

'The Eastern Economist' has been advocating the need for extending the period of transition though, of course, it will be averse to prescribing any specific time-limit, since it is obviously not possible to visualise how long it would take for a smooth transition to Hindi to take place. But what is important to bear in mind is the fact that the concession in respect of extending the transition period should not be made a cover for precipitating the hasty replacement of English by the backdoor. Mr. Santhanam has suggested that during the transition period while English would be the joint official language of the Union, it should also be a joint medium of instruction in all universities and a joint official language in all States in India. But the joint status is being conceded with a view to the elimination of English in the universities so that Hindi and the regional languages might be able to take its position. His idea seems to be that once English ceases to be the medium of instruction in the universities automatically its position as the official language of the Union would become untenable. It is here that one should view the problem with circumspection. While undoubtedly all facilities should be given for the study of Hindi to take its rightful place as the official language, it is inconceivable that it can ever replace English at the universities for a long time to come. This is also the recent finding of the Kunzru Committee appointed by the University Grants Commission. If this is conceded there will be little harm in giving English joint status as official language without a specific time-limit for the transition period. If by the passage of time Hindi shows its superior advantage, there will be no one to plead for the continuance of English. But, then, that time is far off.

A UNIQUE SURVEY

THE ECONOMICS and Statistics Department of the Uttar Pradesh Government is to be congratulated on its pioneer work at taking a count of pilgrims at Sangam on Mauni Amavasya Day (January 30, 1957). This is rightly described as unique because no survey of the kind had been previously conducted anywhere in India. The utility of surveys of this kind in a country with its tradition of religious festivals attracting hundreds of thousands of pilgrims is manifest: they can secure reliable basic information for traffic control so as to avoid in future tragedies of the Kumb Mela kind. The method finally adopted in the U.P. Survey after exploring the possibilities of a number of alternatives also appears to be capable of application in other pilgrim centres by virtue of its comparative simplicity.

The method adopted for the count in the U.P. survey was to make an independent estimate of the number of persons who entered the Sangam area in Allahabad and the number of persons who left it so that the one might provide a check on the other. To count the number of persons passing through every entry route both the census method and the sampling method were adopted. The census method was used during non-rush periods by placing enumerators at suitable points to count every person passing into the mela area. The sampling method was used in rush periods by asking enumerators to make a count of successive rows of pilgrims in ten-minute periods alternated with five-minute rest periods: here the traffic was envisaged as composed of a number of successive rows of persons and the plan was to make an estimate of such rows and the number of persons in a row. Further details about this twin method of counting of rows and counting of persons in a row are given in the Survey Report, and these are very interesting.

The most interesting part of the survey is, however, its result which is that 3.27 lakhs of pilgrims took bath at Sangam on January 30, 1957. Of these 2.80 lakhs entered the Sangam area by land and 0.47 lakh by boats. The counter-check result was that 3.43 lakhs of persons left the Sangam area. The discrepancy between the two counts was not great. What was most revealing was that the number of pilgrims entering the Sangam area between 5 a.m. and 1 p.m. constituted 60 per cent of the total. An idea of the terrific traffic rush and of the exceedingly difficult problem of traffic control can be had from this survey result.

DEVELOPMENT OF MAHARASHTRA

WITH THE impetus given to planning by the Five-Year Plans, there is little wonder that regional economic development should have gained in importance in recent years. Since disparities in the progress of different regions have always been a source of continuous friction affecting the body-politic of the country, recent efforts at formulating plans for tapping the potentialities of every region and especially the under-developed ones are steps in the right direction. It is in this setting that one should view the techno-economic survey being carried out in Bihar and the proposed ones in Orissa and Madhya Pradesh. It was precisely a suggestion for a similar survey of the areas comprising Vidarbha, Marathwada and Western Maharashtra that the Maharashtra Economic Development Council made when a deputation of the Council met the Bombay Chief Minister recently. The Council does not feel that an exhaustive survey with regard to the availability of industrial raw materials and existence of other favourable factors for the development of industries can be successfully done by any private agency and hence it has suggested that the State Government itself should undertake it. There is obviously room for difference of opinion here. But what is undoubtedly important is that without an exhaustive industrial survey, that would bring to light the valuable resources still undiscovered, it is not possible to accelerate the starting of industrial enterprises.

It is good to know, therefore, that the Government is engaged in preparing a master plan for the industrialisation of the State. It is, however, not clear what steps Government have taken or propose to take for an intensive survey that would give an adequate picture of the existing and potential resources of the State. The Maharashtra Development Council has also made a number of suggestions covering various fields for the development of the undeveloped or under-developed areas of the newly formed Bombay State, ranging from the establishment of large-scale industries and power projects to the utilisation of agricultural and forest re-

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sources. It is good to know that the State Government have promised not only sympathetic attention but also expeditious decisions on them. It is interesting to note that in fact on several of the proposals made, Government have already taken action. No less significant is the fact that Government is moved by a pragmatic policy in carrying out the industrial development programme. Thus with regard to the suggestion for the setting up of an aluminium factory at Kolhapur in the public sector, Government have stated that in view of the commitments of Government resources under the Plan, this project might be taken up by the private sector. This can undoubtedly be done, but Government's solicitude for the under-developed regions must be backed by positive encouragement to the private sector for it to deliver the goods.

LAND MORTGAGE BANKING

IN THE light of recent discussions on the future of the co-operative movement, the proceedings of the recent conference of representatives of primary land mortgage banks held in Madras have a certain topicality. Madras State has the distinction of making considerable progress in this direction and in fact it has served as an example to other States in developing a similar well-knit co-operative structure for dispensation of long-term credit. The striking progress made can be judged from the fact that the loans disbursed by land mortgage banks in the State have increased from Rs. 37.40 lakhs in 1954-55 to Rs. 66.66 lakhs in 1956-57. Under the second Plan of the State, provision has been made for further intensifying the activities of the banks. It can be generally said that the success of the movement is due not only to the efforts of the co-operators but to the assistance given by Government in different forms to foster it.

An aspect that should be stressed while discussing the future of land mortgage banking is the significant shift in emphasis in its role. Originally attention was primarily concentrated in relieving the burden of rural indebtedness and these banks were naturally interested in the issue of loans for discharge of prior debts. But recently it is being increasingly recognised that more attention should be paid to the issue of loans for productive purposes. This has particular relevance in the context of the need for increasing agricultural production which can be done effectively only by provision of long-term credit and there is no doubt that the land-mortgage banks can play a useful role in this respect. The Madras scheme for the flotation of rural debentures to meet demand in this respect is thus commendable. But as the President of the conference explained, the Central Land Mortgage Bank often found it difficult to get these debentures readily subscribed in spite of the fact that they are guaranteed by the Government and are approved securities. There is no reason why the suggestion made by him at the conference that the Life Insurance Corporation and the State Bank of India should give greater encouragement by taking an appreciable percentage of these debentures should not be pursued. Whatever may be the support given by the investors in the rural sector, it will go a long way to success if an institutional investor like the Life Insurance Corporation shows active interest by substantial encouragement.

POLICYHOLDERS' INTERESTS

THE CHAGLA COMMISSION'S report has established the twin principle that "the funds of the Life Insurance Corporation should only be used for the benefit of the policyholders and not for any extraneous purpose" and that "if they are to be used for any extraneous purpose, that purpose must be the larger interest of the country." More specifically the Commission has underlined the special character of life insurance funds, representing as they do the savings of millions of hard-working people of the country, and has also endorsed

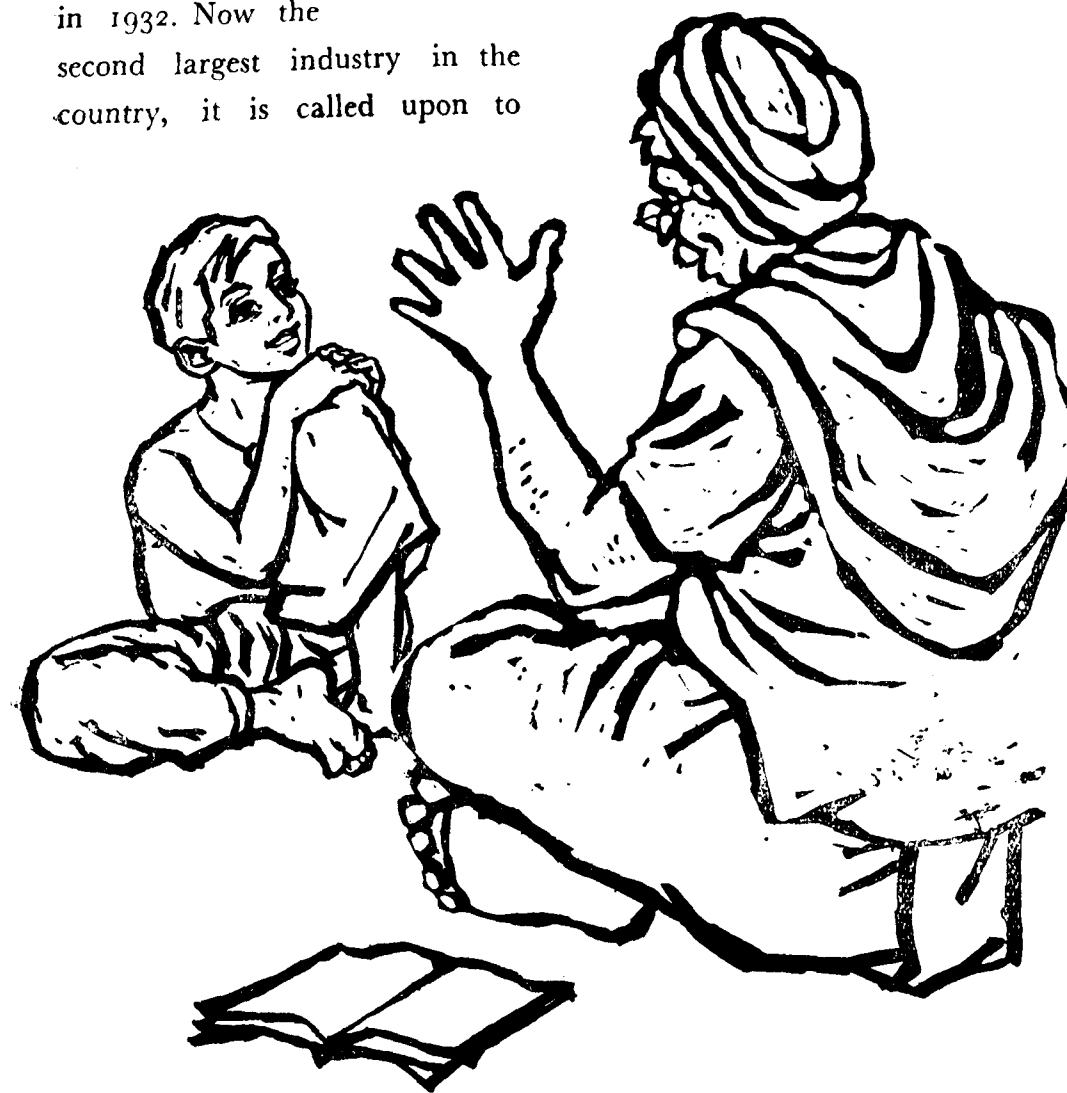
Mr. C. D. Deshmukh's statement that the funds must be invested so as to secure the maximum yield for the policyholders that it may be possible to secure consistent with the safety of capital. To examine critically from time to time the soundness and yield-potentialities of the various investment that are being made may not be feasible. It may not always be necessary either, because the Government as custodians and trustees of the life insurance funds may be depended upon to look after the policyholders' interests more carefully than they did in the first two years after nationalisation.

The All-India Life Insurance Policyholders' Association which has been recently formed has, therefore, done wisely to confine itself, at least for the time being, to the day-to-day grievances of policyholders. These grievances are on the score of difficulties and delays in the settlement of claims in the event of both maturity of endowment policies and death of the insured, delays in the disposal of loan applications and delays, again, in correspondence generally and in sending the premium notices and receipts particularly. These bureaucratic delays which have set in after nationalisation are not wholly irremediable if an organisation of policyholders deals with them by proper representations. It may be that an association of the kind will succeed in making the Life Insurance Corporation's employees revive their former standards of courtesy towards policyholders. Any success in this direction cannot be easily obtained because the Policyholders' Association will have to operate in an entirely new situation where the former company employees have overnight become Government employees having that pride and security associated with government employment.

ON the muddy banks of the river Hooghly, near Budge Budge, lies Achipur, a small village. Back in the third quarter of the 18th century, Tong Atchew, a native of China, established here probably the first "Sugar manufactory" in India. Here and there, a few mills appeared in the late nineties but the industry recorded a phenomenal growth after protection was granted by the Government in 1932. Now the second largest industry in the country, it is called upon to

increase its installed capacity from 16 lakhs to 22.5 lakhs tons by the end of the Second Five Year Plan. To meet the requirements of this expanding industry, Texmaco has started manufacturing sugar mill machinery to international standards in technical collaboration with Stork Werkspoor of Holland. This is how Texmaco serves India's basic industries.

The Story of Sugar

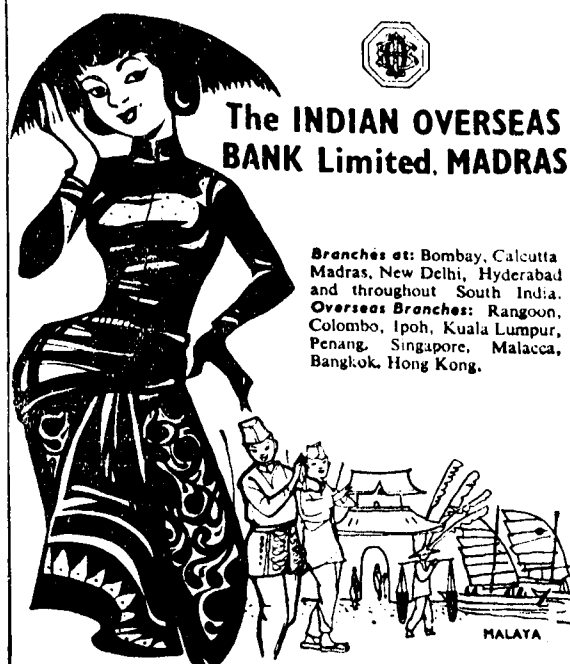


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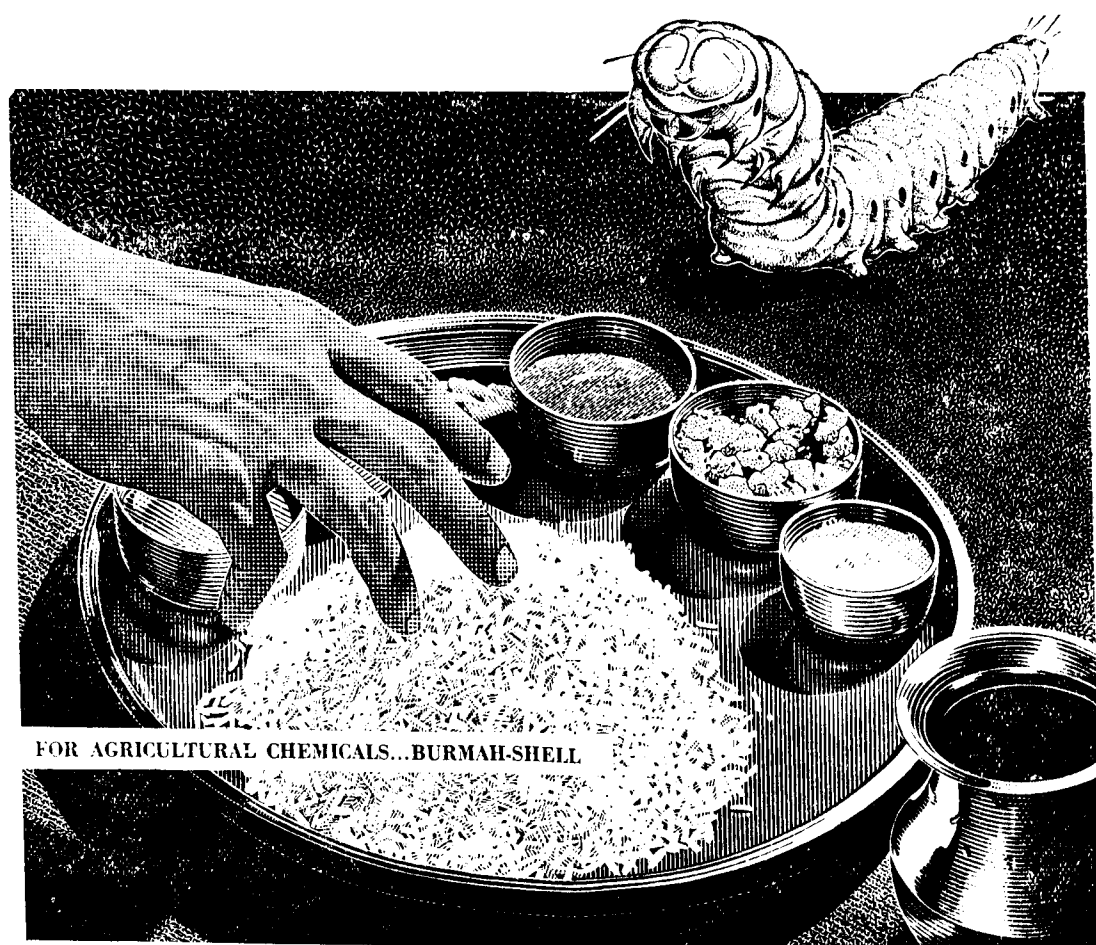


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FOOD FOR THOUGHT

A handful of Rice



FOR AGRICULTURAL CHEMICALS...BURMAH-SHELL

India has more acreage under rice than any other country in the world.

Yet production is not large enough to meet the demand. During 1957 it was found necessary to import 7,00,000 tons of rice at an estimated cost of Rs. 30 crores.

The country has been making steady progress in increasing production by improved methods of cultivation. Among these, control of the paddy stem borer is of special importance as it has been estimated that this deadly insect pest costs the country over Rs. 30 crores a year. The States worst affected are those of

Andhra, Kerala, Madras, Mysore and Orissa.

Shell endrin provides effective, persistent control of the paddy stem borer and can thus increase rice yields on affected fields by up to 50%.

True—Shell endrin has to be imported because it is not manufactured in India: indigenous materials are however used in its formulations. And for every rupee spent on importing Shell endrin, as much as ten rupees worth of rice can be protected—which is a sensible way of saving foreign exchange whichever way you look at it.

SHELL Chemicals can save crops
and Foreign Exchange too!

A Window on the World

WHERE'S THAT LIVING YOU OWE ME?

By
ODYSSEUS

WHETHER, by the time that these words greet your eyes, the London bus strike is or is not over, does not matter, because this column is not concerned with the day to day news but with the principles, morals, or lessons, that may be discerned behind the events that make the head lines, and there is an important economic moral of general application in all countries to be drawn from the London bus strike. Let us, therefore, remind ourselves of the facts.

Most British trades unions have in recent years fallen into the habit of presenting a claim for higher wages every year. The claim has hitherto been made on the ground that the cost of living has risen and wage earners are, therefore, as a matter of simple social justice, entitled to a rise to compensate them. (In fact, these claims would be made whether or not the cost of living had risen, and from conversations that I have had with prominent spokesmen of the British Labour Party, it is clear that when and if the Socialists are returned to power, they would regard an annual wage increment of something under 3 per cent as automatically due. They arrive at this figure by noting that the UK's post-war national income has risen by about 3 per cent a year. I assume that they consider that wage increases should be something under 3 per cent to keep within the rise in productivity).

This belief is world-wide that because the cost of living has been allowed to rise—normally because of the vote-catching and inflationary social security policies of governments—therefore workers, civil servants, and everyone else are naturally entitled to more pay to maintain their existing standard of living. That does not make it any the less nonsense. It implies that someone else owes me a living, irrespective of my ability to make a living by working in a way that satisfies the wants of others to such an extent that they pay me for my services.

But, as I have said here before, nobody owes me a living. Only I owe a living to myself. Now, I live by writing, but if I write articles that few want to read, do you consider that the taxpayer should make up the difference between the actual fees that I earn and the income that I think I ought to have in order to maintain the standard of living to which I consider myself entitled? Further, if so few want to read what I write that no editor will publish any article from me, do you agree that I am entitled to be wholly supported by the State, i.e., by you as a taxpayer? As I thought, you return a loud "No" to both my questions.

But nobody in Britain has put the problem in these terms to the London busmen or to the other claimants for annual wage increases.

If everyone is entitled to the wage and standard of living to which he has accustomed himself, change and progress becomes impossible. You get a static, in the place of a dynamic, economy.

INDIA IN 1819

Let us look at an example from history. In 1819, Lieutenant Thomas Lumsden, of the Bengal Horse Artillery, was granted home leave. On October 3, he left his cantonment in Meerut and rode on horseback to Garhmukteshwar where there awaited him the pulwar, or small boat, that was to take him via Allahabad, Banaras,

and Mursidabad, to Calcutta, where he arrived on November 23, that is, exactly eight weeks after he started. His entry in his diary for November 25 gives a picture of travelling conditions in 1819:

"Passed Angadecp in the afternoon. The river is so much of a serpentine, and has so little current, that, after a day of labour, night found us but a few miles in a direct line from where we started in the morning.

"To come down the river is not attended with great difficulty, as the stream assist so powerfully; but I have never seen any class of men undergo greater fatigue than the boatmen of the Ganges when proceeding upwards. If they have not then a strong wind in their favour, they are obliged to drag the boats up by ropes fastened to the mast-head; and they have frequently to pass shallows when they are wading up to the knee in mud, and up to the middle in water, while at the same time they are exposed to the rays of a burning sun."

Where, in 1819, no river communications existed, as between Bombay and Lahore, you either rode on horseback or travelled overland in a palanquin, borne by four bearers. Letters and merchandise travelled by the same slow and expensive means.

The man who changed all this was Lord Dalhousie, Governor-General from 1848 to 1856. He caused several thousand miles of metalled roads to be built, a telegraph line to be laid from Calcutta and Agra, the modern postal system, to which the present P. & T. department is the heir, to be inaugurated, and before he left trains were running on the first section of the East India Railway. In other words, it was under Dalhousie that modern India first began to take the shape with which we are familiar.

But if the Welfare state had been in existence, and with it the belief that we are all owed a living by some one else, it is probable that we would still be taking eight weeks to travel from Meerut to Calcutta, and that goods would still be moving slowly and painfully across the country on camels, instead of being rattled along in trains, bumped along in lorries, or rushed through the skies on Air-India's magic carpet. Why? Because as Dalhousie's reforms spread wider, they reduced the living standards of tens of thousands of boatmen, palanquin bearers, and camel drivers, until eventually all were thrown out of work. According to the Welfare conception of social justice, all these people would have been entitled to maintain, if not to improve, their standards of living. They could, if they had been organised in trades unions, have held the state and the public up to ransom by strikes, and indeed, if powerful enough, they could have either prevented all progress from taking place, or exacted a heavy tax on it. This constantly happens today when, as in the U.K., the unions are powerful enough to insist that if a steam-driven locomotive is replaced by a Diesel engine which requires no stoker, it must carry a stoker just the same, on full pay for doing nothing. It has, in fact, been demonstrated in the U.K. that where Diesels replace steam engines on economic terms, lines which have been uneconomic for years earn a profit. This is one of the reasons why British Railways cannot extricate themselves from their financial difficulties.

THE COST OF SOCIAL JUSTICE

Nevertheless, one of our Socialist friends may say, all this must be borne for the sake of social justice. I agree if you agree that social justice, carried out to its logical end, means that we all remain poor together and give up all hope of raising our standards of living. Because the more social justice you have, the less is produced and the more it costs. For example, owing to continuous wage rises granted to British miners, the retail price of coal and coke has risen to such height (coke which was Rs. 30 a ton in 1915 is now Rs. 125 a ton) that consumer resistance has set in. People are switching to oil as fast as they can. The only answer that the coal miners could think of for this was to urge on the government that conversion to oil should be legally forbidden and the consumer statutorily obliged to keep the coal miner in clover by continuing to buy his ever more expensive product.

It is the same with London's buses. In 1946, you could travel the fifteen minute distance from Notting Hill Gate to Piccadilly Circus for 2½d. Today the fare is 6d. Tomorrow it will be more. The result has been a wholesale loss of passengers. Since 1950, 2,000,000 have taken to motor-cars (particularly the minute "bubbles" and "midgets") and to motor cycles and scooters. By compelling passengers to try out other forms of transport, the present strike can only give tremendous impetus to this transfer to privately owned vehicles. There will therefore be less work for fewer busmen.

There can be no question that, poor as India is today, she would be far poorer if held back to the pre-Dalhousie system of communications, and that is the

final answer to those who believe that they have a right under all circumstances to the wage that they are earning today. For, if that right were conceded, the national income as a whole could never rise by the introduction of new and more economical techniques. What must those do, like the Ganges boatmen of 1848, or the London busmen of 1958, who find that new techniques are taking their living away? Find themselves other jobs in a new and rising industry.

"That", comments someone, "is all very fine from a man who is obviously an arm-chair economist who has never had to practise what he preaches." Well, it so happens that the life of a middle-aged publicist, who learnt his trade in the spacious days of 32 paged daily papers, has no built-in security. The free lance's market for his wares, especially for highbrow wares, like mine, has been contracting steadily over the years. Ever rising costs of production continue to fester amalgamations of newspapers and to eliminate the high class weeklies. The resourceful free lance, therefore, added to his income by learning the technique of sound broadcasting and gradually built himself up a connection with the B.B.C., as an expert on one subject or another. Last autumn, the B.B.C., recognising that listeners had become a minority compared with viewers, drastically cut the time devoted to talks and current affairs on sound. So what does the hapless free lance do? Follow the lead of the coal miners and insist that viewers be statutorily forced to revert to listening? No (since nobody owes him a living), he goes out and hires himself a television set to study the new technique, and snatching a look at himself in the glass, hopes that the television experts will regard his grey hair as distinguished-looking and his bald head as photogenic.

PROTECTING FOREIGN INVESTMENTS

(From Our Special West European Correspondent)

PARIS, May 10.

THE Association of Mining and Petrol Law held its first congress in Aix-en-Provence last week-end. One hundred jurists, company lawyers and industrialists from various Western countries spent a few days discussing ways to protect from spoliation private investments made in parts of the world which a French jurist described as "juridically under-developed". The congress concluded by unanimously adopting a suggestion of Sir Hartley Shawcross, that an international commission be set up to design standard forms of protective treaties which should then be submitted to "the competent international authorities".

The Association was founded (you will not be surprised to learn) immediately after Egypt seized the Suez Canal. The initiative was taken by the Compagnie française des pétroles, which has interests throughout the Middle East and North Africa, but it soon attracted the support of a wide variety of private firms and official agencies in West Europe. The circumstances of its birth do not imply any sympathy with the Suez company, nor with the measures Messrs Eder and Mollet took to protect that investment, nor even with French oil interests. They show simply a realisation that such shocks to international confidence as Colonel Nasser administered could throttle the already inadequate flow of foreign private investment to underdeveloped countries unless greater security could be guaranteed to expatriated capital. That some form of solemn international treaty could serve this purpose has been many times suggested by the West Germans.

First reactions to this sort of idea are, from the Western side, scepticism; and, from the Afro-Asian side, distrust. The Western business man is apt to argue that what cannot be achieved by goodwill and confidence cannot be guaranteed by a scrap of paper, however "solemnly" signed. The Asian politician, on the contrary, is inclined to think that if Western companies and governments devise a treaty, they have in mind ways of enforcing it and so what is involved is a new form of economic warfare designed to fight economic nationalism in Asia in the interests of some super-imperialism.

But scepticism and distrust notwithstanding, there is a clear problem here, and it is not unthinkable that something useful could come out of studying it. Both sides stand to gain, Western investors in greater security and the capital-hungry countries in a greater flow of investment funds. The problem is, as the lawyers defined it at Aix, that most Western firms capable of investing abroad are resolved to "practise the 50-50 philosophy" but they find themselves faced in foreign contracts with parties whose juridical status is very different from their own. They are mere private concerns (even when governments own shares in them) and their status in international law is irremediably inferior to that of the sovereign states with whom they do business. Moreover these sovereign states are often of recent date and are generally subject to nationalistic complexes; their internal juridical apparatus is often immature or (in the Middle East) simply non-existent. Their politicians frequently have extremely Jacobin conceptions of state sovereignty and are thus unwilling to let international regulation make good the deficiency of their internal justice.

The fact is that the peoples of Asia and Africa have so often in the past played the donkey in lion-

and-donkey contracts that they are tempted when they get the chance to play the lion with a vengeance. The upshot is that certain territories go hungry for capital while the canny Germans sit on their treasure at home. Worse, the reluctance of Western private capital to venture abroad in these conditions forces some young states to seek help from foreign governments (e.g. Russia) and in these deals they are liable to turn out to be bigger donkeys than ever they were in the past.

The organisers of the Aix congress put up for discussion a standard international treaty under which expropriated enterprises would be protected, first, by a clause demanding impartial international arbitration, and, second, in the event of the expropriator refusing to submit to arbitration, by a clause authorising the enterprise to take its compensation from the proceeds of goods expected by the expropriating country to any third country. Since the third country would be a consumer of exports from the under-developed country, it would mostly be another West European nation, and since it was itself a signatory to the treaty it would be inclined to co-operate. Our hypothetical distrustful Asian politician mentioned above has already concluded that his suspicions were justified: the lawyers at Aix were working out a system of economic warfare. No doubt; but unless a treaty is to be a mere scrap of paper it will have to have a sanction in it somewhere, and sanction will only sound excessive to those who propose to break the treaty.

Another sanction proposed was that the World Bank should cut off lines of credit to countries refusing to honour their obligations under the treaty. Both of these suggestions overlook the power-bloc rivalry. Egypt's case has shown that when Western nations refuse to buy goods (cotton in this case) from an expropriator, or to advance him credits, the Communists, who are systematically in favour of expropriation of foreign private investment, at once offer to make good the defection of the West. This argument is not conclusive: not all politicians are as ready to accept Russian aid in such circumstances as Nasser was, and in any case it can be held that the pressure that was applied on Egypt did help toward the measure of compensation that has just been granted to the Suez company. Besides, the Egyptian case was totally obscured by the war that France and Britain jumped into before exploring all the possibilities of economic pressure such as are now being suggested.

The discussion at Aix took a more reasonable turn when M. de Vischer, a French jurist, pointed out that the issue involved not only relations with under-developed countries but relations between the industrialised nations themselves. He observed tartly, "Brigandage has become a normal procedure of economic administration even in the West". The point of this is not just that certain European Governments have no moral right to condemn flagrant expropriation (M. de Vischer was no doubt thinking of the nationalisations in France after the liberation), but that if new and sounder conditions are to be found for international investment, security could well begin at home. In other words, the European Governments indirectly represented at Aix could demonstrate to the backward countries the purity of their intentions by first concluding between themselves a treaty guaranteeing investments, and thereafter inviting Asian and African nations to join it.

There is a good deal in this. Expropriation of foreign private investment is in fact extremely rare

Fly
TWA

FIRST CLASS
Ambassador
Service

to
LONDON
(VIA PARIS)

de Vischer

in the West but European nations would be in a stronger position to ask overseas countries to accept sanctions on it if they first accepted the principle of such sanctions themselves. The signing of such treaties, even if it is never expected that they will be invoked, is held to be humiliating; not everyone wants to be treated as though he were a potential Colonel Nasser. This can only be got around by the Western nations themselves consenting to submit to this treatment, and then inviting overseas countries whose record is unblemished, such as India and Australia, to do likewise before approaching the young nations who are more ticklish on the subject.

This procedure seems preferable to the otherwise excellent suggestion that foreign investment be organised by a combine or group of lending countries. It is obviously hopeless to expect general international co-operation in this field (for instance, as in the proposed SUNFED scheme), grouping all the members of the UN. as long as the power-bloc rivalry lasts. But the West European nations could form their own investment community, presided over by an international authority of the sort that now governs (more or less) the coal and steel pool, and to which borrowing nations could be invited to adhere. This project would appear—and would certainly be presented by Communist propaganda as—a super-imperialism. That term is strictly meaningless, but that would not prevent it frightening many would-be borrowers.

The commission set up last week-end in Aix will soon be at work framing its standard treaties, and since the question is still being dealt with unofficially, on a non-government basis, it would not be unseemly for organised Indian industry to take a close interest in its work, perhaps even seeking to be actively associated with it. India has a better record in the treatment of foreign private capital than any other country in Asia or Africa, and is too mature to suspect that the whole question is one of Western companies trying to "gang up" on under-developed borrowers. Indian business and its lawyers could make valuable suggestions on what form of treaty would be acceptable and efficacious.

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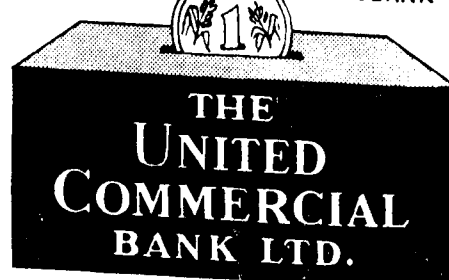
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WORLDGRAM

AGRICULTURE

Survey of Farming Practices: In a written reply to a question by Shri D. C. Sharma, Shri A. P. Jain, Union Minister for Food and Agriculture, indicated in the Lok Sabha that a pilot survey of fertilizer and other farming practices was being conducted in Ferozepur district of Punjab State. This was part of a scheme for conducting pilot sample surveys in typical districts of various agricultural regions in the country. The field work of the survey for 'rabi' crops in Ferozepur, the Minister added, was started in October 1957, and was over by the end of April 1958. Field work for 'kharif' crops would be started in July 1958. Shri Jain also stated that surveys had already been conducted in some States, and were also being planned for 1958-59 in other States. From 1954-55 to 1957-58, such surveys had been conducted in West Godavari (Andhra Pradesh), Coimbatore (Madras), Shahabad (Bihar), and Barabanki (Uttar Pradesh). The surveys were being planned in Meerut (Uttar Pradesh) and Raipur (Madhya Pradesh). A district for such a survey would also be selected in Kerala State.

Tobacco Expert Committee Report: Among the recommendations made by the Tobacco expert Committee in their Report regarding adjudication of losses of tobacco during storage, transit, etc., the Government have already accepted and implemented through executive instructions the following recommendations, namely: (a) Duty on losses of Virginia Flue-Cured tobacco not satisfactorily accounted for should be charged at the lowest of the several rates applicable, unless there are 'prima facie' reasons to suspect that the tobacco so found deficient was used in the manufacture of cigarettes. (b) Adjudication of losses noticed during annual stock-taking should be made only if fraud is suspected. The other recommendations of the Committee in regard to storage and transit losses are under consideration of the Government.

Aid for Development of Fruit Cultivation and Orchards: A scheme of the Indian Council of Agricultural Research for providing assistance for development of fruit cultivation and orchards had been included in the second Five-Year Plan, stated Shri A. P. Jain, Union Minister for Food and Agriculture, in a written reply to a question by Shri D. V. Patel in the Rajya Sabha recently. In a statement laid on the table of the House, it was indicated that the budget provisions for the scheme since its inception in 1956-57 were Rs. 10.70 lakhs as grant and Rs. 50.00 lakhs as loan. Budget provisions for 1957-58 were Rs. 6.20 lakhs as grant and Rs. 110.00 lakhs as loan; and for 1958-59, Rs. 5.10 lakhs and Rs. 41.50 lakhs. The amounts sanctioned as grants and loans for development of fruit production in various States in 1956-57 and 1957-58 were as follows: 1956-57 — grant Rs. 3,62,010, long-term loan Rs. 64,06,000, and short-term loan Rs. 6,52,125. 1957-58 — grant Rs. 4,19,655, long-term loan Rs. 31,80,000, and short-term loan Rs. 3,19,750. The provisional allocations for 1958-59 were Rs. 5,33,000 as grant and Rs. 38,50,000 as long-term loan for variable States. A lump sum provision of Rs. 3 lakhs for short-term loans has also been made for all the States and the Centrally administered areas.

Milk Pasteurisation Plants: Forty-nine milk pasteurisation plants were proposed to be set up in

various States under the second Five-Year Plan. The places where the plants would be located were: Andhra Pradesh: Hyderabad, Visakhapatnam, Vijaywada, Rajahmundry, Kurnool, Guntur and Nellore; Assam: Shillong; Bihar: Gaya and Patna; Bombay: Poona, Sholapur, Karjat, Surat, Baroda, Kolhapur, Nasik, Rajkot, Jamnagar, Junagadh, Surrender Nagar, Gondal, Palitana, Ahmedabad and Nagpur; Jammu and Kashmir: Srinagar; Kerala: Trivandram; Madhya Pradesh: Bhopal, Jabalpur and Indore; Madras: Madras, Coimbatore and Kodaikanal; Mysore: Bangalore, Bhadravati and Kudige; Orissa: Cuttack; Punjab: Chandigarh, Hissar, Amritsar and Patiala; Rajasthan: Jaipur; Uttar Pradesh: Agra, Gorakhpur, Mathura, Bareilly and Aligarh; and West Bengal: Calcutta.

INDUSTRY

Production of Sulphur on Commercial Scale: Shri Humayun Kabir, Minister of Scientific Research and Cultural Affairs, announced in the Rajya Sabha that a Committee under Shri Charat Ram, Director, Managing Agents, Delhi Cloth and General Mills Co. Ltd., has been appointed to explore the possibilities of producing sulphur on a commercial scale.

Increased Production and Sales of Penicillin: The total production of sterile bulk penicillin at the Hindustan Antibiotics (Private) Limited in the first three months of 1958 was 7.29 million mega units as compared with 19.23 million mega units in the whole of 1957. The gross sales of penicillin in the first quarter of 1958 was valued at Rs. 74.61 lakhs as against Rs. 127.75 lakhs for the whole of 1957. This information was given by the Minister for Commerce and Industry, Shri Lal Bahadur Shastri, in a written reply to a question by Shri N. R. Muniswamy in the Lok Sabha. The Minister said that the present annual requirements of penicillin were estimated at 50 million mega units as against the present installed capacity of 25 million mega units at Pimpri. The capacity was being expanded and the company was expected to produce about 40 million mega units during 1959-60. The balance was expected to be produced by two private firms who had already been licensed for the production of penicillin. Shri Shastri said that efforts were being made to make India self-sufficient in penicillin and in some of the other important antibiotics also during the current Plan period.

Certification Mark for Three-Phase Induction Motors: The Indian Standards Institution had published an Indian standard specification (IS: 325-1956) to cover the popular range of three phase induction motors with class A insulation, for general industrial use in locations where the ambient temperature did not continuously exceed 40°C on medium pressure system. In order to convey an assurance to the purchaser that the induction motors have been manufactured under controlled conditions and are of the quality as laid down in the Indian standard, the Institution has granted a licence for the use of its Certification Mark to the Hindustan Electric Co. Ltd., Faridabad (Punjab). The Certification Mark will be applied to three-phase induction motors for industrial use, from 1 HP to 10 HP, which conform to the Indian standard. This is the first license for induction motors. A few more applications on this subject are under consideration of the Institution. The Certification Mark consists of the monogram of the Institution, the number designation of the Indian standard, inscribed at the top of the

menogram. Any complaint about the quality of certified motors, may be brought to the notice of the licensee and the Indian Standards Institution, Manak Bhavan, 9, Mathura Road, New Delhi.

TRADE

Import Policy for Photographic Goods: Attention of importers is invited to the Red Book for April — September, 1958 period which regulate the import policy for photographic goods for the current licensing period. As a result of certain representations received from the trade, the position in regard to photographic sensitised materials has been reviewed and it has been decided that — (i) supplementary licences will be issued to Established Importers of goods covered by S. No. 303/IV of the Red Book for a value equal to 50 per cent of the face value of their quota licences for this S. No. issued during April — September, 1958 period; and (ii) quota licences issued for photographic instruments, etc. (S.N. 305/IV of the Red Book) during the current half year will also now be valid for import of photographic sensitised materials falling under S. No. 303/IV. Quota licences already issued for S. No. 305/IV for the current licensing period need not be presented to the licensing authorities concerned for amendment but clearance will be allowed by customs on the authority of the Public Notice which has been issued recently.

FINANCE

Rebate of Duty on Export of Confectionery: The Government of India have published draft rules detailing the procedure for refund of Customs and Central Excise duty paid on raw materials used in the manufacture of confectionery subsequently exported. The rate of refund per one hundred pounds of boiled sweets unwrapped, boiled sweets wrapped, boiled sweets soft centred and toffees has been fixed at eleven rupees and fifteen naye paise, fifteen rupees, thirteen rupees and thirty naye paise and eighteen rupees respectively. Before these rules are finalised, the Ministry of Finance, (Department of Revenue) will consider any objection or suggestion received before May 24, 1958.

Rebate of Duty on Export of Footwear: The Government of India have published, in a 'Gazette of India' Extraordinary dated May 6, 1958, draft rules detailing the procedure for allowing refund of Customs and Central Excise duty paid on the raw materials used in the manufacture of footwear subsequently exported. The rate of refund would be calculated on the basis of the particulars furnished by the manufacturers interested in this rebate, who are advised to contact the Ministry of Finance, Department of Revenue, New Delhi, in this regard. Any objection or suggestion received from any person with respect to the said draft rules before May 16, 1958, will be considered by the Ministry of Finance, Department of Revenue, before the draft rules are finalised.

Loan for Hirakud Project: In a written reply to a question by Shri Panigrahi, the Deputy Minister of Irrigation and Power, Shri Jaisukhlal Hathi, said in the Lok Sabha that the first loan to the Government of Orissa for financing the construction of the Hirakud Dam Project (stage I) was sanctioned by the Government of India in 1948-49. According to the financial arrangements agreed to between the Government of India and the State Government, the loan would bear interest at 4½ per cent per annum and unless any arrangement for earlier repayment was agreed to between the two Governments, the loan was repayable in one instalment at the end of 40 years, i.e., in 1988-89. The interest on the loan was payable annually by the

State Government but during the construction of the project, interest charges were added to capital. A sum of Rs. 70.39 crores was due from the Orissa Government till 1957-58, he added.

Sales Tax: Seven State Governments had enforced uniform rate of sales tax at 7 per cent at a single point on special goods, said the Deputy Minister of Finance, Shrimati Tarkeshwari Sinha in reply to a question by Sarvashri Tangamani and S. M. Banerjee in the Lok Sabha. The States were Andhra Pradesh, Assam, Bihar, Kerala, Orissa, Punjab and Rajasthan. Other State Governments were also taking necessary steps to implement the scheme. She added that the Government of India had suggested to the State Governments to enforce the scheme, if possible, by April 1, 1958.

GENERAL

Output of Cars: For the first time since 1905, more motor vehicles are now being made outside the U.S.A. than within that country. On the basis of seasonally adjusted first quarter figures for 1958, American production is running at 5,300,000 units a year, against 5,675,000 in the rest of the world. The following table, based on figures prepared by U.S. 'News and World Report', compares American production with projections, based on recent output rates, for other major producing countries. U.S.A. 5,300,000; Canada, 340,000; West Germany, 1,500,000; Japan, 225,000; United Kingdom, 1,300,000; Sweden, 70,000; France 1,200,000; East Germany, 60,000; U.S.S.R. 500,000; Czechoslovakia, 50,000; Italy 400,000; Poland, 30,000.

Bhakra Project Estimates: Replying to a question by Shri Harish Chandra Mathur, the Deputy Minister of Irrigation and Power, Shri Jaisukhlal Hathi, laid the following statement on the table of the Lok Sabha on the recommendations of the team appointed to examine the Bhakra Project estimates:

At the instance of the Planning Commission and the Ministry of Finance, the Ministry of Irrigation and Power appointed a team to examine the estimates of the Bhakra-Nangal Project prepared in 1955 amounting to Rs. 170.02 crores. The team recommended that the estimate should be reduced from Rs. 170.02 crores to Rs. 163.00 crores, i.e., a reduction of Rs. 7.02 crores. The reduction suggested were:

Bhakra Dam	Rs. 3.51 crores
Ganguwal and Kotla Power Houses	Rs. 1.43 crores
Transmission System	Rs. 1.08 crores
Nangal Dam, Canal System, etc.	Rs. 1.00 crores
TOTAL	Rs. 7.02 crores

The report of the team was considered by a sub-committee appointed by the Bhakra Control Board, which came to the conclusion that the only reduction possible was in respect of the Ganguwal and Kotla Power Houses and transmission system amounting to Rs. 2.51 crores. Against this reduction, certain increases in the Bhakra Dam had also to be taken into account. These increases amounted to Rs. 2.46 crores. The whole matter was reviewed by the team which accepted the findings of the sub-committee and expressed the opinion that the project estimates should be sanctioned at Rs. 170 crores. The Planning Commission have also previously accepted this estimate. The estimate is now awaiting the approval of the Bhakra Control Board.

NEWS IN BRIEF

INDIAN

The Minister for Commerce, Sri Nityanand Kanungo, revealed in the Lok Sabha recently that the Government proposed to buy dry milk from the U.S.A. during the current year. Purchase authorisation for 5,436 tons of dry milk had been obtained and tenders had already been invited by the Indian Supply Mission, Washington.

The production of saleable steel at Jamshedpur in April this year was lower at 63,000 tons against 71,300 tons in the preceding month, according to figures released by the Tata Iron and Steel Company Ltd..

Five hundred schemes for the development of small scale industries in different States and Union Territories were sanctioned by the Government of India during the financial year 1957-58.

India annually produces nearly 103.08 lakh maunds of ghee valued at Rs. 185 crores. Uttar Pradesh, Rajasthan, Punjab, Bombay, and Bihar are the main ghee producing States, accounting for nearly 50 per cent of the total production.

It is reported, the Government of India have appointed a Board of Directors for the Hindustan Salt Company (Private) Ltd.

The Indian Standards Institution has issued, for eliciting comments, a draft Indian standard specification for mortar for laying silica bricks.

Eighty-two research stations in India were working on rice, and 13 new varieties had been evolved by them. Some of these varieties were flood-resistant and suitable for water-logged conditions. The reported yields of the new varieties ranged from 2,300 to 4,000 lbs. per acre.

There were 31 agricultural colleges in the country as on December 31, 1957. In order to meet the increased requirements of agricultural graduates during the second Five-Year Plan, seven new agricultural colleges were started during the year 1955 and 1956.

It is reported although India so far possessed only about ½ per cent of the world's maritime tonnage, her share of the world's maritime trade was as much as 4 per cent and of the seafaring population as much as 6½ per cent.

India exported opium valued at Rs. 2.5 crores in 1957, according to official statistics. The value of exports of opium was Rs. 1.53 crores in 1954-55 and Rs. 1.3 crores in 1955-56. The U.K. is the main buyer of the Indian opium. Other important countries are France, and the U.S.A.

The Government of India have decided to allow oil crushers and soap manufacturers, who are at present permitted to import copra only, to utilise 50 per cent of their entitlement for copra for importing coconut oil.

FOREIGN

For the first time for three and a half years the sterling area's gold and dollar reserves are above the £1,000 million mark. During April the reserves rose \$144 million to \$2,914 million (£1,035 million), raising to \$641 million the aggregate increase over the first four months of 1958.

The World Bank has lent Nigeria \$28 million (about £10 million) to help a five-year railway development programme.

It is reported the Argentine Government has issued a ban on all import permits in line with the new austerity programme.

The West German steel industry has agreed to restrict exports of steel outside the Coal and Steel Community to 82,300 tons in the current month — that is, about 60 per cent of the exports in May, 1957.

Drastic steps are to be taken soon to check the drain on South Africa's foreign exchange and gold reserves which at £80.8 million are at their lowest level for nine years.

Yugoslavia intends to invest over \$725 million in improvement of railway transport. It is hoped that by 1961 the Yugoslav railways will be able to transport 212 million passengers and 700 tons of goods annually.

Greater attention to the production of consumer goods in Russia is now emerging as one of the distinguishing features of the present regime.

Seven German commercial banks have decided to set up a joint representation in Beirut, with a view to co-ordinating their Near East business.

Aramco — Arabian American Oil Company — announced that crude production in Saudi Arabia during March was 32,579,568 barrels, averaging 1,050,954 daily. The 1957 equivalent was 24,325,430 barrels for a daily average of 784,691.

The Federal and Southern Rhodesian Governments have formed companies to investigate the establishment of a pulp and paper industry in the eastern part of Southern Rhodesia.

The Soviet Union has offered to buy 7,000 tons of Danish butter under the present Dano-Soviet trade agreement expiring this month.

The Pakistan Industrial Development Corporation has placed an order with United Machine Factories (Werkspoon-Stock) of Holland for two complete sugar factories, with a capacity of 1,500 tons of cane a day. The order includes the steam boilers and turbo-generators.

A DELHI DIARY

DR. KHAN SAHEB

ON Friday last the news that Dr. Khan Saheb had been assassinated in Lahore spread like wild fire in Delhi. People talk about "the Corridors of Time." The corridors run both ways, forward and back, but the corridors being left behind dim rapidly, and only very few memories are left standing firmly in the departing light. The picture of Dr. Khan Saheb was one of those which stands out in the mind of all those who knew him. There was a genuine sadness in Delhi, and great feeling in the Lok Sabha when Jawaharlal Nehru, with his unerring instinct for an appropriate and timely tribute to our departing heroes, painted a fine picture of Dr. Khan Saheb's contribution to Indian freedom. Most people remember Dr. Khan Saheb for his supreme courage and for his grand tolerant outlook. It was so difficult to believe he had any enemies and yet apparently he had. One of the finest tributes to his indomitable spirit was in the manner in which he died. He chased his assailant for thirty yards although he was mortally wounded; thus, perhaps, he hastened his own death. But if he had not done so, he would not have been the same. I would like to think of him (although he dies full of years) in the language of Lawrence Binyon: "He shall not grow old as we that our young grow old". In fact he kept himself mentally alert and young, though age gathered its forces around him. It was good that he was taken to his beloved village of Utmanzai and laid to rest as the sun was going down in the beautiful light of his own country. Here again one might use the words of Lawrence Binyon: "At the going down of the sun and in the morning we will remember him".

WHEN IS A SALE NOT A SALE?

A nice debate is proceeding in Delhi as to whether the incident narrated by Mr. Ajit Prasad Jain in the Rajya Sabha on Monday this week, constitutes a sale or is a transaction of a similar kind but with another name: This is like the remark of the enemy of William Shakespeare who said his plays were not written by William Shakespeare but by another man of the same name. The facts are that "a landless Harijan of West Dinajpur gave his child to a childless and less poverty-stricken neighbour accepting some money in return." Can this transaction (sale or otherwise) involving money be considered firstly, a purely voluntary act, secondly, an act without reflection on State and Central Government policy? It is not human, I am told, on high psychological authority, for parents to be parted from their children. It does look to me that, if this is not a sale but an arrangement, it still implies that the pressure of poverty has forced a citizen of India to behave in an inhuman manner. I do not hold the poor landless Harijan responsible. I charge the citizens of India, in the first place, and the Executive Government responsible for a situation which, nearly a month ago, had taken on an ugly turn and has all-too-slowly found its way into print. Perhaps, this is not failure so much of the Central and State Government (since one has supplied food and the other has declared West Dinajpur a famine area) as a failure of purely local administration. I do not think it makes much difference as to the degree of responsibility; the fact that destitution of this kind

exists is a censure on us all. And being tactless, I propose a comparison which is both odious and pointed.

MISPLACED ENTHUSIASM

I well remember that when the Bengal Famine emerged in all its horror there was, both in Britain and in India, an immediate demand, War or no War, that the prevention of starvation and misery resulting therefrom was the first duty of all including the War Minister. I cannot understand how in the piping times of peace the difficult conditions in West Dinajpur did not raise a major searching of conscience in this country, and even now, that some shocking revelations have been made, there is very little tendency to reproach ourselves for our bitter neglect. I cannot help feeling that there has entered into Governments, both Central and State, a distortion of values which needs to be obliterated. Deep heart-searching of political problems — Casteism, Communalism and Corruption, as the Prime Minister would say — seems to have distracted attention from the fundamental responsibilities of Government. What strikes me as particularly inappropriate is that in the grand debate which was carried on this week in the A.I.C.C. almost everything was mentioned except that routine District administration was breaking down. Yet, if I understand it rightly, routine administration is the base of socialism. Can a grand edifice of development be built when essential and elementary responsibilities cannot be discharged?

I confess I am a little bitter and have chosen to parody some verses of Mary E. Coleridge's 'Unwelcome', which I hope my kind readers will recognise, notwithstanding the violent liberties that I have taken with the original.

CONTRASTS: DELHI AND DINAJPUR (With apologies to Mary E. Coleridge)

We were young, we were merry,
we were very very wise,
And the giants stood ready for fight,
When there passed us a child with blank in her eyes,
And a man with his back to the light.

O, loud rose the battle over Socialist lore,
And rigid or changing the goal,
None saw that man in West Dinajpur,
That had nothing within his bowl.

The words of wisdom fell dull on our ears,
Hearts from loyalty were blown,
For they had no common man's fears,
These men he had made his own.

Low let me lie, where the dead dog lies,
Ere I sit me down at debate,
When there passes me a child with hurt in her eyes,
And a man despairing of fate.

ARGUS.

A DELHI NOTEBOOK

THE Planning Commission's "Appraisal and Prospects of the second Five-Year Plan" is a timely document revealing the state of the Plan, particularly in the foreign exchange sector. One of the conclusions reached is that the Plan appears likely to end up with an aggregate deficit of about Rs. 1,700 crores as compared to the original estimate of Rs. 1,100 crores by way of external resources. According to the Commission's estimate, the further requirements of foreign exchange — over and above the amounts authorised but still to be utilised — might approximate Rs. 500 crores. It is anticipated that Rs. 350 crores (out of Rs. 500 crores) will be accounted for by fresh foreign assistance during the remaining Plan period.

REPAYMENT PROBLEM

Somehow most of the second Plan's foreign exchange deficit will have been made good, and that will be good insofar as it goes. But the problem of repayment, though not very acute for the present, has just begun to add a depressing note to public discussions of the foreign exchange situation. The repayment programme will become formidable from 1960-61 only as repayments during the 1957-60 period covering capital (Rs. 42.3 crores) and interest (Rs. 37.5 crores) or an aggregate amount of Rs. 79.8 crores are of a comparatively manageable magnitude. During the six-year period 1960-66, however, repayments will be of the order of Rs. 666.7 crores of which Rs. 454.4 crores will be on account of capital and Rs. 212.3 crores on account of interest. The foreign exchange commitment during the last three years of the second Plan and the five years of the third Plan will thus be of the order of Rs. 734 crores excluding the repayment of Rs. 12.5 crores in 1957-58. It is, indeed, a depressing prospect that the third Plan will start with this millstone round its neck. How large the foreign exchange component of the third Plan could be in the circumstances is more than an academic exercise at estimation for preliminary work connected with the next Plan may be supposed to have begun now in pursuance of the Estimates Committee's recommendation.

IN THE PRIVATE SECTOR

The deferred payment scheme which has been in operation since January 1957 and which is probably taken into account in the heavy programme of repayments of foreign loans in the years to come has benefited up till now 91 cases in the private sector and 34 cases in the public sector. Industry-wise in the private sector, the number of schemes so far sanctioned are: Paper — 8; non-ferrous metals — 5; textiles (non-cotton) — 7; automobile — 5; chemical and pharmaceutical — 15; engineering — 11; electrical — 4; cement — 5; rubber — 1; glass — 2; refractory — 3; plywood — 1; ceramics — 2; sugar — 6; cotton textile — 9; power generation — 6; and printing — 1.

A notable development during the week was the decision of the Government of India to acquire control, through a government-nominated Board of Directors, over the Jessops concern belonging to the Mundhra Group of industries. It is also learnt Mr. Haridas Mundra, Chairman of the Board of Directors of the British India Corporation (Kanpur), has acquired fuller control over the concern by eliminating the two British directors from the Board. It is further learnt that Mr. Mundhra is trying to acquire a controlling interest in Begg Sutherlands, another British concern managing a group of sugar factories.

The shellac industry has been in a bad way for some time what with a rapid fall in shellac prices. The Government is understood to be anxious to stabilise, as in the case of the synthetic product, the prices of natural shellac at a reasonable level and to give one more chance to private trade to stabilise shellac trade.

Several proposals, like the establishment of a price stabilisation board, the levy of a cess for being utilised to guarantee minimum prices and the formation of an association of exporters, are being considered in this connection. The State Trading Corporation, it is emphasised, may enter the field only in the event of private trade failing to maintain even the existing pattern of shellac trade.

IN THE PUBLIC SECTOR

It has been decided to set up immediately a thermal station with an installed capacity of 125 MW in East India to meet the needs of railway electrification over and above what the D.V.C. power system, the Rihand hydel scheme, the Hirakud power system, the West Bengal State Electricity Board and the Calcutta Electric Supply Corporation are expected to provide for the purpose. Another proposal is also under serious consideration for establishing a power station with a capacity of 50,000 KW and involving a capital outlay of Rs. 10 crores. This station is to be set up with Russian assistance and is intended to meet the power needs of Russian-sponsored heavy machinery manufacturing units.

The National Coal Development Corporation has opened since 1956-57 two new coal mining units in Korba (Madhya Pradesh) and five new units in 1957-58. It is expected that four new units will go into operation in the current year.

It was revealed in the Lok Sabha last week that a proposal was under Government's consideration for setting up in the public sector a watch factory to manufacture a complete watch within five years. That there is a large internal market for watches is undeniable because, for example, in eleven months ending November 1957 this country imported nearly 7.9 lakhs of wrist watches (valued at Rs. 19.7 crores) of which 6.6 lakhs (numbers) valued at Rs. 19.4 crores came from Switzerland. But it is doubted if Indian watches, if and when made, will compare favourably in durability, price and time keeping, with Swiss watches which are stated to be the best in the world.

The Krishna Menon Committee, now going into the question of a suitable management set-up for public enterprises, has before it a relevant report of the Estimates Committee and a memorandum submitted by Mr. Feroze Gandhi. In this memorandum Mr. Gandhi has suggested the appointment of wholetimers as Directors of the Board of Management of a public enterprise. Another suggestion advanced by him is that accountability to Parliament be made co-extensive with the Ministerial powers of supervision, direction and control over a particular unit of industry. These suggestions, in effect, mean that public corporations should not be allowed complete autonomy.

The Prime Minister's statement in the Lok Sabha that economies in Government spending had been effected to the tune of Rs. 25 crores through the efforts of the Organisation and Methods Division was heartening in its own little way. These savings were effected by way of abandoning or postponing some schemes, by abolishing or keeping in abeyance some posts and by reducing expenditure on stores and contingencies. The total saving effected by abolishing or keeping in abeyance some administrative posts was Rs. 1.5 crores.

The additional super-tax on excess dividends, it is noted, has yielded Rs. 3.7 crores in 1956-57 and Rs. 4.1 crores in 1957-58 and is expected to yield about Rs. 4.0 crores in the current year. The effect of the development rebate on revenue has been Rs. 5.8 crores in 1956-57 and Rs. 8.0 crores in 1957-58 and is estimated to be Rs. 8.0 crores in the current year.

Special Article

THOUGHTS ON PLANNING

(By K. B. MATHUR, Member, Railway Board)

IN the modern, complicated economic structure of society, planning has rightly become a fine art. It is the art of practical men of high calibre seasoned in the hard school of experience, men with vision, foresight and deep insight into the trade and commerce of their country, men who have an ingrained sense of the technique of large-scale planning and development.

Planning has many facets. I propose here to deal with some fundamental considerations in national planning, and to refer to the more common forms of pitfalls which are generally experienced and which can be avoided.

Easily one of the most difficult tasks a planner has to face is to evolve an integrated pattern of development with priorities clearly defined, out of a jumbled list of projects, often overlapping and competing with each other, sponsored by Central Ministries, State Governments and the private sector. The task will to some extent be simplified if the planner bears in mind the cardinal principle that the avowed objective of our planning in India is the achievement of a socialistic pattern of society, and that one of the important aims of planning is to widen the scope for employment to the largest extent practicable.

INGREDIENTS OF PLANNING

The following principles of sound planning may appear trite and commonplace, but their translation into practice is a fairly complicated business, demanding all the practical skill which the planner can bestow on it:

- (i) Planning should conform to the anticipated financial resources, both internal and external.
- (ii) Planning should tend to eliminate existing imbalances in the economy.
- (iii) Planning should be integrated. Full consideration should be given to the evening up of regional development.
- (iv) Planning should tend to eliminate dependence on external sources.
- (v) Planning should be harmonised with the supply of men and materials.
- (vi) Planning for the development of physical resources likely to be in demand for the execution of projects should be made in advance. This applies equally to technical manpower and processed materials.
- (vii) Accepted projects should be fairly closely examined to ensure a degree of accuracy in estimation of its financial, material and technical personnel content. The requirement of basic materials like steel, cement, coal, machine tools, etc. should be properly assessed for each project.
- (viii) Phased development of each accepted project from year to year together with its basic manual, material and financial needs on a yearly basis should be worked out.
- (ix) The broad pattern of development should naturally conform to the directions of the Government.

- (x) Planning should have a degree of flexibility so that an adjustment could be made with a minimum of loss, should it be needed.

PLANNING PITFALLS

It is important that the basic industrial needs e.g. electric power, coal, steel and cement should be planned with an adequate reserve of supply, as numerous demands are apt to develop which cannot be foreseen. In India, we are already faced with a difficult situation in the case of electric power supply in the northern region. This was originally considered to have been liberally provided for, but has now been found to be deficient even for some of our important needs.

In monolithic planning such as we are attempting in India, omissions which look simple enough may cost us dearly. Take a hypothetical case.

We may decide upon extensive construction activity in a medium-sized town, without making a prior assessment of the availability of bricks, timber, masons, etc. What is the result? Prices of all materials in the vicinity shoot up, estimates are burst, progress due to a scarcity of resources is slow and all available resources are drawn away from the neighbouring area to the detriment of all minor development. An artificial boom is created, followed by disappointment and distress. A sudden influx of labour with their attendant demands pushes up the cost of living to the detriment of the local population, which instead of being enthused is depressed and bewildered. Everything is thrown out of balance. Business men alone gain at the expense of all others.

All this happens because everything is not pre-arranged and pre-planned to the minutest detail. Brick-layers and brick kilns should have been set up in advance and all things arranged for in good time without impinging upon the limited supplies available for local needs. Everyone is so happy and enthused when they see a modern township is coming up. And when this windfall is over, the surplus technical manpower naturally look for an asylum, which should be provided for in advance.

PLANNING SUPPLY OF MATERIALS

Once a Plan is approved, every project authority naturally counts on procurement of capital goods, machine tools, etc. produced in the country from indigenous sources and estimates accordingly. The questions which naturally arise are: (i) has the entire demand for the Plan period, including those required for replacement and renewal, been properly assessed? (ii) is it known whether all that has been estimated for will be available during the period? (iii) does the phased demand work out evenly? If not, how priorities should be adjusted? If this has not been done what is likely to happen? The clever lot place their indents first and their demands are booked irrespective of priority. The optimistic lot start planning and building the foundations and place their demands for the capital goods later, simply to be told that the indigenous capacity has already been booked up for some years and they will have to wait.

On the other hand, if all demands had been properly co-ordinated and phased, and all the available supply of capital goods in the country distributed on a rational

basis according to a well set out programme, all the project authorities both in public and private sectors would know when their demands are likely to be met. They could then be prepared in advance to put the equipment in use. Since the specifications of the machinery or the equipment are known, all the preliminaries can be worked out in anticipation of the receipt of the equipment, and the incidental delays avoided. Even the foundations for putting up the machinery could be prepared in advance. Such bulking of capital goods demands available in the country would help the producers to make their long-term plans in advance and thereby increase the output, and greatly help the planned progress of the various projects.

STEEL AND CEMENT

Similar action is necessary in the case of the other scarce materials, e.g. steel, cement, timber etc. The whole demand should be co-ordinated by the planning body and a phased programme of supply worked out on a yearly or six-monthly basis in order of priority. This programme should conform to the anticipated supply, and the element of speculation kept down to a minimum. In other words, a system of budgeting and ledger-keeping will have to be introduced if unbalanced distribution is to be avoided and demands are evenly spread out in conformity with the production. If things are left to individual initiative, there would invariably be some parties who will score over others and approved priorities will be disregarded. Here, again, producers will secure immense benefit from bulking of the demands. At present, piecemeal demands are placed on the producers which leads to considerable wastage of capacity.

In this connection, it is also to be remembered that our production of these scarce materials has been planned for a progressive increase, and to keep down the foreign currency commitments to a minimum, some of the less important demands could perhaps be deferred and linked with this increase in production.

PROBLEMS OF PRIVATE SECTOR

The private sector, at present, is to a large extent, left free to phase its development subject to the issue of licences for new developments. For foreign exchange requirements, however, they have to approach Government for each individual item. This arrangement has certain snags. The monetary expenditure is not properly phased from year to year, nor is the development arranged according to some set pattern, in phases which would fit in with a pre-determined order of priority.

While it is not suggested that the planning body should exercise dictatorial control over them, the private sector itself welcome a clear-cut direction of their development in phases which would smoothen things in general both for them and Government. At present, some industrialist might have made all his plans, simply to find that he cannot get the requisite foreign currency or some indigenous material which might have already been booked up for Government projects.

After all, when the private sector forms an integral part of our development plan, their interests should be as much looked after by the planning body as those of the public sector. All this effort, would ultimately save economic waste.

GOVERNMENT PROJECTS

Every Ministry has the freedom to regulate the phasing of its approved projects within the financial limits prescribed. This calls for a degree of flexibility, which means that some works may be put back or shut off at a short notice without much loss or serious disfigurement of an integrated picture.

To do this in an efficient manner, it is necessary to study projects in some detail, understand the implications of their phased development, and suitably ran out the commencement of each phase of the different projects so that some are started in the first year, some in the second, and so on, taking into account the priority, time for execution, material which can be spared, technical manpower which will be available and allied matters. Shutting off of a project when it has started is not like closing a tap or switching off light. Manpower once mobilised cannot just be disbanded at our sweet will, nor can the material half sunk be promptly left to the care of sun and air.

SOME EXPORT EARNERS

The planning body, in common with others, is vitally interested in raising our earning potential and, in particular, in expanding our exports. We must, therefore, devote careful thought to the problems of the nature discussed below:

- (a) Our new steel plants initially will produce pig-iron all of which is not needed for our own requirements. If we export it as such, we will only recover about Rs. 300 a ton, but if we could export it in some finished form, it might fetch as much as Rs. 800 or so a ton. We should, therefore, make a survey of the requirement of cast iron goods in the adjoining countries and endeavour to make a bid for them. It seems to me that cast iron pipes, water columns, brake blocks would be in demand in some of the under-developed countries. We have the capacity to produce all these and the existing output can be easily expanded provided we give sufficient notice to the industries concerned. There is no time to be lost and it is suggested that the State Trading Corporation should get busy with it.
- (b) When the finished steel comes out, rather than export it as such, we might make some plan for exporting processed goods. Railways are developing capacity for manufacture of coaches and wagons for their own use and this can also be adjusted to suit the export market, should we decide to enter this venture.

These are only two suggestions for export promotion. The planning body, which is in touch with the country's internal needs, is in the best position to guide the release of surplus goods in a most profitable form for external sale.

THIRD PLAN

It seems about time that all concerned should be advised to work out the schemes which they have in view for the third Five-Year Plan in some detail, and not to come forward with half-baked proposals. There is ample time for it, and we have also gained some experience of our difficulties in the past. The content of each project in money, men and materials and their breakdown in phases should be accurately worked out, and a scrutiny of the likely ones might also be started as soon as any project has taken a well-defined shape, so that time may not be lost in taking decisions later.

These are just a few rambling thoughts to illustrate what a vast field dynamic planning, such as we visualise, covers and what a multiplicity of problems it presents. The task of pulling out 360 million people from the slough of despondence, lifting them from the morass to some height and bringing within their reach some of the refreshing fragrance of modern life, needs all the ingenuity and skill which we can muster. Its ramifications extend from Kashmir to Cape Camorin. The entire economy of the country is to be mastered. All the resources and strength have to be harnessed to one purpose—the good and betterment of the common man.

The Business World

SYMPOSIUM ON THE SHIPPING BILL

By
CROESUS

I HAVE heard Sir Ramaswamy Mudaliar championing several causes in his own inimitable manner — calm collected and convincing, with a meticulous mastery of the minutest detail—but I can hardly recall an occasion when he was as vehement as he seemed whilst speaking at the Bombay Symposium on the Indian Merchant Shipping Bill 1958 last week. That of itself should provide some measure of the indignation of Indian shipping interests towards some of the clauses of the Bill generally and, in particular, towards the definition of Indian Shipping as proposed in the Bill. Failing that, here is a list of the epithets freely employed against this particular clause which can leave no doubt whatsoever in the minds of the Government or anybody, for that matter; 'un-national,' 'retrograde,' 'inadvisable,' 'disastrous to Indian shipping,' 'detrimental to national interests,' and so on.

According to the Bill, foreigners owning 31 out of 64 parts of a ship (the property in a ship is notionally divided into 64 parts) will be able to become the owners of an Indian ship. At present, foreigners cannot hold in India more than 25 per cent of the shares in an Indian Shipping Company, and even this concession was extended in the year 1947, only to overcome certain technical difficulties arising from the Partition of the country. This is clear from the Government of India's Resolution on the subject of July, 1947, which said, in accepting the Report of the Reconstruction Policy Subcommittee, that 'the definition that only that Company should be regarded as Indian whose shipping is owned, controlled and managed by the nationals of India was the ideal one' and that this should be the ultimate objective. Again, if a ship is owned by a company registered under the Indian Companies Act, even if it be with cent per cent foreign capital and cent per cent foreign control, direction and management, it will be deemed to be an Indian ship! There is a school of opinion in the country which regards that there is nothing wrong or objectionable in increasing the permissible capital holding of non-Indians from the present 25 per cent to nearly 49 per cent, especially after creating an Indian Register which would invest a ship with Indian Nationality and thereby enable the Government of India to control the life of the ship so registered both at home and abroad. But none of the speakers at the Bombay Symposium on the Shipping Bill shared this view.

While Sir Ramaswamy Mudaliar called for a categorical modification of the proposed definition in the interests of both the public and the private sectors in the Indian shipping industry, Mrs. Sumati Morarjee, President of the Indian National Steamship Owners' Association, sought to reply to those who favour foreign participation to a greater extent than now as the only way open to India to attain her shipping target. It is not without significance that it should have fallen to the lot of Sir Ramaswamy Mudaliar to remind the Government of India that colonialism still reigned supreme in the sphere of international shipping, where the writ of the Government did not run. He was convinced that the definition as proposed in the Bill must have been drafted by some junior official without adequate realisation of the implications and hoped that the Government would do the needful in the matter. Mrs. Morarjee, who initiated the Symposium, considered the proposed definition as detrimental not only to the future growth of a merchant navy but apprehended that it would tremendously undermine the power, position and prestige of India as a maritime nation.

She questioned the contention that the placing of the ship on the Indian Register would invest it with Indian Nationality and thus bring it under the control of the Government of India for the first time and called it a travesty of facts, inasmuch as the Government of India has even now been exercising full control over ships registered in India under the Control of the Shipping Act, 1947. She also questioned the assumption that, once the control of the Government was established on an Indian ship, it was immaterial as to who owned the ship, who ran it, who directed it and who managed it. 'What will happen, in times of emergency, or in the event of the possibility of a war?', she asked. In this connection, she recalled the lessons of the last two World Wars which, she emphasised, had brought home to India the bitter truth that such a jurisdiction was absolutely ineffective and ineffectual in times of emergency, and she wanted the people of India not to forget the wisdom of all ages that foreigners owning, running and managing Indian ships would only sympathise with the political aspirations of the countries to which they belong and would therefore take every possible step to act in a manner to further those aspirations.

Mrs. Morarjee further referred to the possibility of foreigners having to represent their companies in India at international conferences and speaking in the name of this country. This might result, she feared—and quite justifiably—in India speaking with different voices, different loyalties and different controls at such gatherings. While on this, she recalled the note of warning recently sounded by Mr. Raj Bahadur in the Lok Sabha that, 'if we allow foreigners to register, it might not entirely be free from danger at a time of crisis. It may prove to be double-edged sword. There may even be a positive disadvantage because shipping is the life-line of a nation'. This was for the purpose of driving home her point that the direction and management of national ships must be in the hands of the nationals of a country not only from the point of view of defence, strategy and fulfilment of international obligations, but also from the view-point of economy, efficiency and all round progress of national shipping itself.

Among the other participants, while Mr. C. H. Bhabha strongly criticised the enormous powers of control and direction over the running of ships given to the Government in the provisions of the Bill, Mr. Pratapsinh Shoorji Vallabhdas, who fully shared Mr. Bhabha's view, explained the National Shipping Law of Japan in detail and wondered what reasons the framers of the Indian Merchant Shipping Bill 1958 could have had for a loosely worded definition for Indian ships, even when they had the shining example of an advanced Asiatic maritime country like Japan before them. But for her National Shipping Law, Japan's merchant marine, which had been practically destroyed in the last World War, would not have reached its pre-war strength again so soon.

On one point, however, namely on how to finance new tonnage if greater foreign participation in the capital of Indian shipping companies is to be rejected, the symposium provided hardly any enlightenment. But this is not to question the considered reiteration of Mr. M. A. Master's thesis at the Symposium that both the present and the future interest of India demand that there should be no departure from the existing shipping policy of India, at least for some years to come.

BUSINESS NOTES

FINANCE FOR TRUCK-TRAILER DEVELOPMENT

MR. K. C. MAHINDRA, Chairman of Messrs. Mahindra and Mahindra Limited, chose a provocative theme for his presidential address at the company's twelfth annual general meeting held on May 12 this week. He dealt at length on the challenge posed by the exigencies of the situation created by the development of freight motor transport during the period of the present Plan. Some may tend to take the view that the picture of the prospect for achieving development on the required scale which he has drawn errs on the side of pessimism. A somewhat blunt and outspoken presentation with a solid sense of realism would be a correct description of his approach to the problem.

The non-controversial part of his thesis postulates that it will be beyond the ability of the railways to provide, with the resources allocated to them in the second Plan, transport capacity to carry all the additional traffic. There is no escape from accelerated development of motor freight transport. The official estimate of the requirements of production of additional vehicles between the years 1957 and 1961 is fixed at 136,000. Then follow Mr. Mahindra's own calculations which had been told best in salient figures. He feels that additional output of this order plus the existing fleet of 130,000 vehicles, excluding the element of obsolescence, will fall short of the requirements of the traffic that would be offering. But he is quite emphatic that effective provision must be made right from now for annual production at the rate of 50,000 vehicles and 5,000 tractor-trailer combinations. He places the capital outlay for manufacture of this order at Rs. 10 crores. Given concerted effort on the part of individual manufacturers to co-ordinate their phased production programmes on an integrated basis, raising finance of this size from their own resources will be a task well-nigh beyond their ability. He argues that the projected Refinance Corporation for Industry should assign priority to the claim of the truck manufacturing industry. If assistance to truck manufacturers is outside the authorisation contained in the charter of the Refinance Corporation on the score that this is not a medium industry, Mr. Mahindra suggests that the finance should be provided by the Truck Finance and Development Corporation whose creation he advocates as a major integral part of his overall financial scheme. Output at the rate of 50,000 trucks and 5,000 tractor-trailers per year can be sustained if, and only if, it is absorbed by freight service operators. He believes that this is a tall order totally beyond their resources. Hence he advocates the establishment of a State-sponsored Truck Finance and Development Corporation with a total capital of Rs. 50 crores. This sum is estimated to be necessary to finance purchases and to provide loans to operators on easy terms. The Truck Finance and Development Corporation is to guarantee the purchase of the entire planned output of the manufacturers, that is to say, in effect, to buy it outright for the most part.

This scheme may look as taking too exclusive a view of the requirements of the truck-trailer manufacturing sector of the automobile industry. It may appear that the capacity of manufacturers and operators to raise resources on their own is erroneously ruled out altogether. It may also look that inadequate note is taken of the Government's difficulties to raise rupee resources. Mr. Mahindra's reply is that this outlay is only a fraction of the development outlay allotted to the railways and failure to provide it will create critical deadlocks in the progress of the Plan. His proposals have at least the merit of stimulating much loud thinking on an issue which is so basic but hardly investigated objectively in the search for solutions.

FAO ON TRENDS IN TEA

THE FAO'S latest monthly bulletin contains a report on the trends in tea production and international trade in 1957. The analysis contained in the report should provide valuable guidance to this country which has a large stake in the tea industry for its external payments. During 1957 world production of tea reached an all-time peak of 700,000 metric tons. Total world imports are provisionally estimated to be of the order of 500,080 metric tons. It is most significant that Britain continues to be the biggest consumer as well as importer of tea. Britain's total imports of tea reached a new high of 256,100 metric tons. Allowing for re-exports mainly to continental Europe, her net imports were of the tall order of 254,000 metric tons. It will thus be seen that her net imports were slightly above 50 per cent of the global imports. But what really matters for tea exporting countries like India is the total imports. This fundamental characteristic of global imports should impress upon this country the need to keep constant vigilance on consolidating and expanding the British market.

FAO's report, however, gives reasonable ground for apprehension that India may not be able to keep her hold on the British market as tightly as until very recently. The reason is that production costs in the tea industry in India are going up partly because of higher food prices, overall increase in the cost of living caused by other factors and also because payment of bonus to labour is relatively high. By contrast, Africa has a structure of costs lower than India's. Add to that Africa's advantage of lower transport cost to reach the British market. Africa is of great relevance to India because it produces the common teas for which there will always be a high demand in Britain for preparing blends. And it is the common teas which are the very breath of India's tea export trade. If India does not wake up in time to the hard reality of Africa's acute and superior competition and take suitable action to reduce her costs, she will find that her share in the traditional premier export market of Britain will be steadily lost to Africa.

The report has very useful information to provide on the experiment to popularise tea in those countries where the per capita consumption is low but purchasing power is high. The USA easily comes on top among these countries. Her imports in 1957 have been estimated to be 48,600 metric tons. Intensive propaganda to promote tea sales in the USA have not borne fruit. The report records the conclusion that per capita consumption in the USA did not improve last year. In Canada and Australia consumption declined as compared to the previous years, while New Zealand does not show any sign of increasing her offtake. The story told in respect of continental European countries is different and encouraging. In spite of the fact that Europe has a traditional bias for coffee, countries in that continent are showing an inclination to consume relatively larger quantities of tea. Nearer at home in the Middle East, where common teas are in high demand, consumption is steadily going up. This analysis should prove useful in concentrating propaganda for promotion of tea exports.

MANUFACTURE OF PAINTS AND VARNISHES

THAT THE paint industry is progressing well is evident from its increasing production trends. From 27,950 tons in 1950, the production rose to nearly 42,000 tons in 1957. Not only has production steadily increased but the industry has also diversified its output by undertaking the manufacture of several new items for

the first time in the country. With production trends being maintained, it appears that the target of 60,000 tons by 1960-61 may be overstepped.

This, of course, implies that a regular and adequate supply of raw materials would be forthcoming. In order that a regular supply be maintained, it was essential, stressed Mr. C. L. Jhunjhunwala in his Presidential address at the Sixteenth Annual General Meeting held at Calcutta, that the raw materials required by the industry should be produced in the country itself. The foreign exchange position being difficult, the importance of attaining self-sufficiency in raw materials is all the more enhanced. Referring to the problems of the paint industry, Mr. Jhunjhunwala dwelt at length on the shortage of raw materials and the levy of excise duty on the paint industry. Antax titanium dioxide and tin plates for containers were the main raw materials the shortage of which was felt most. Since the bulk of the paint produced is sold in tin containers specially suited to market conditions, the shortage of it was bound to upset production and put up the manufacturing costs.

The plea, therefore, for a greater import quota is justified. But it would have been better if it had been made clear as to how much shortage there is and how much additional foreign exchange would be required enabling the Government thereby to arrive at a proper decision in the light of priorities in the allocation of foreign exchange. So far as the levy of excise duty on paint industry is concerned, the introduction of the slab system of excise duty is to be preferred in the opinion of the Chairman. The advantage of it would be that it would relieve the paint factories of the hardship caused by the levy of excise duty at a higher rate with retrospective effect on the entire output from the beginning of the year if the quantity of production of any item during the year exceed the specified limit within which the duty is levied at a lower rate according to the tariff schedule. Mr. Jhunjhunwala has also suggested an alternative in place of the slab system. A higher rate of excise duty should not be levied with retrospective effect on the entire production from the beginning of the year. Rather the higher rate of excise duty should be imposed from the date on which production exceeds the lower limit and only on the quantity produced since then. Although it may involve some sacrifice of revenue, it has to be weighed against the hardships caused to the paints industry.

In regard to export of paints, although there has been an increase in exports from Rs. 24 lakhs in 1954-55 to Rs. 35 lakhs in 1956-57, its enhancement is desirable to lessen the foreign exchange difficulties. In order to improve and modernise the manufacture of many raw materials, the establishment of a Central Paint Research Laboratory was imperative. Not only will it help the country in obtaining the requisite quality of raw materials, but will also help its expansion on progressive lines.

GERMAN EXPORT CREDIT FOR EGYPT

EXPORT or suppliers' credit has become an increasingly popular measure to tide over payments difficulties in the post-war period. India herself has resorted to it with some accent as a result of her acute shortage of foreign exchange. The system of deferred payments, as it is now widely known, is being attempted both at the government and private levels in India. But in the net result, deferred payments will provide a marginal relief in our foreign exchange difficulties. In this connection, it is interesting to note the type of agreement for export credit which Egypt has entered into with Germany. Apparently this agreement is at a government-to-government level. It was entered into on May 7 last at Bonn. From the published brief summary no idea can be gathered about the rate or rates of interest

payable on the credits. In strict technical parlance, the agreement, it is claimed, does not amount to supply of credit. It is said to be insurance of exports from Germany. In practice it does amount to export credit.

The total amount of the credit has been fixed in the agreement at DM395 million equivalent to £33 million. The most crucial clause in the agreement provides that total exports of this value will be underwritten by the German official Hermes Export Risk Insurance Bank. As a result of this export insurance, the Frankfurt Export Credit Bank will undertake to finance a good proportion of the export orders to be placed by Egypt within the coming four years. Furthermore, German private companies will be able to provide exports on credit extending over fairly long periods of 8 to 10 years. The projects to be covered by the exports include one steel mill, chemical plants, power stations, one shipbuilding yard and paper mills, among others. Krupp, Demag, Badische and other German suppliers of high standing will participate in the export supplies. Simultaneously, terms of technical assistance have also been incorporated in the agreement. To illustrate, planning for airports and harbours are among the programmes of development in which German technicians will give their co-operation. Facilities of exchange for the remittance of the savings of German nationals in Egypt have been guaranteed. Properties of German charitable organisations in Egypt will now be released. This collaboration is expected to pave the way for a settlement of the problem of the return of German-owned private properties in Egypt.

MACHINE TOOLS AND MACHINERY

WHEN AN assessment is made of industrial production during the first two years of the second Five-Year Plan, the year 1957 turns out to be a remarkable one in recording a considerable rise in the production of machine tools and heavy and light industrial machinery. Textile machinery in particular is to be noted for its significant rise. In major items like ring frames, looms and carding engines, production attained is so high that it can well meet to a considerable degree the larger part of the country's demand. During the first eleven months of 1957, the production of carding engines rose to 883. In the year 1956, it was 726. Similarly, the number of ring frames rose to 1,255 from 1,110 in 1956, drawing frames from 24 to 30, automatic looms to 282 from 161 and reeling machines to 1,841 from 1,158. The 100 per cent of increase over 1956 in the production of machine tools is to be attributed largely to marked increase in the output of the Hindustan Machine tools, Bangalore, which reached the monthly production rate of nearly 30 machine tools.

Sugar mill machinery and jute mill machinery also listed a substantial rise. The collaboration of foreign firms from countries like Czechoslovakia and West Germany was of great help. By way of example it may be mentioned that a Bombay firm in collaboration with a Czech firm has completed preliminary arrangements for taking up the assembly of cane crushing plant, one of the major items of a sugar plant. Another firm which has West German collaboration, has installed most of the plant and machinery required. A Madras firm is reported to have manufactured sugar machinery for four co-operative sugar factories in Bombay State. There are possibilities of manufacturing paper machinery too. Firms from UK, Sweden, and Germany have shown interest in collaboration schemes. So far as the manufacture of domestic type hand-operated knitting machines is concerned, an offer has been received from an industrialist in collaboration with a Japanese firm. The scheme is being examined by the Government and if implemented, it is expected to facilitate the adoption of modern techniques in the manufacture of the industrial type of knitting machines being already produced in the country.

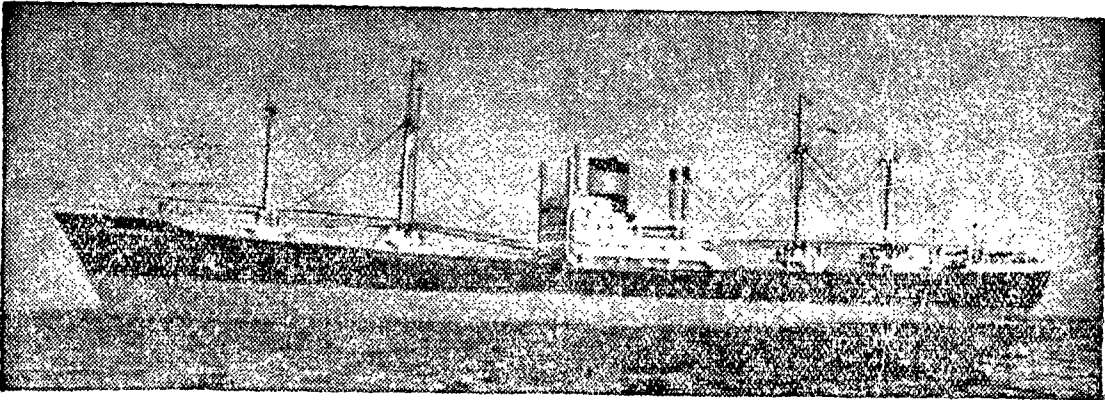
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THE BANK OF RAJASTHAN LTD.
Condensed Balance Sheet as on 31st December, 1956-57

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(In whole rupees)

LIABILITIES			ASSETS		
	1956	1957		1956	1957
	Rs.	Rs.		Rs.	Rs.
Authorised and Issued Capital .	20,00,000	20,00,000	Cash, Bank Balances and Money at Call and Short Notice	1,42,45,109	1,35,27,706
Paid-up-Capital	9,22,875	9,22,875	Investments in Government, Semi-Government and other Securities.	1,06,61,519	1,02,62,043
Reserve Fund and Other Reserves	5,36,154	6,27,265	Advances	1,22,76,776	1,81,48,774
Deposits and other Accounts .	3,39,99,348	3,81,14,064	Bills receivable, being Bills for Collection, as Per Contra	19,57,861	22,23,882
Bills for Collection being Bills Receivable as per contra .	19,57,861	22,23,882	Other Assets	13,14,683	15,69,845
Other Liabilities	30,39,710	39,44,164			
TOTAL	4,04,55,948	4,57,32,250	TOTAL	4,04,55,948	4,57,32,250



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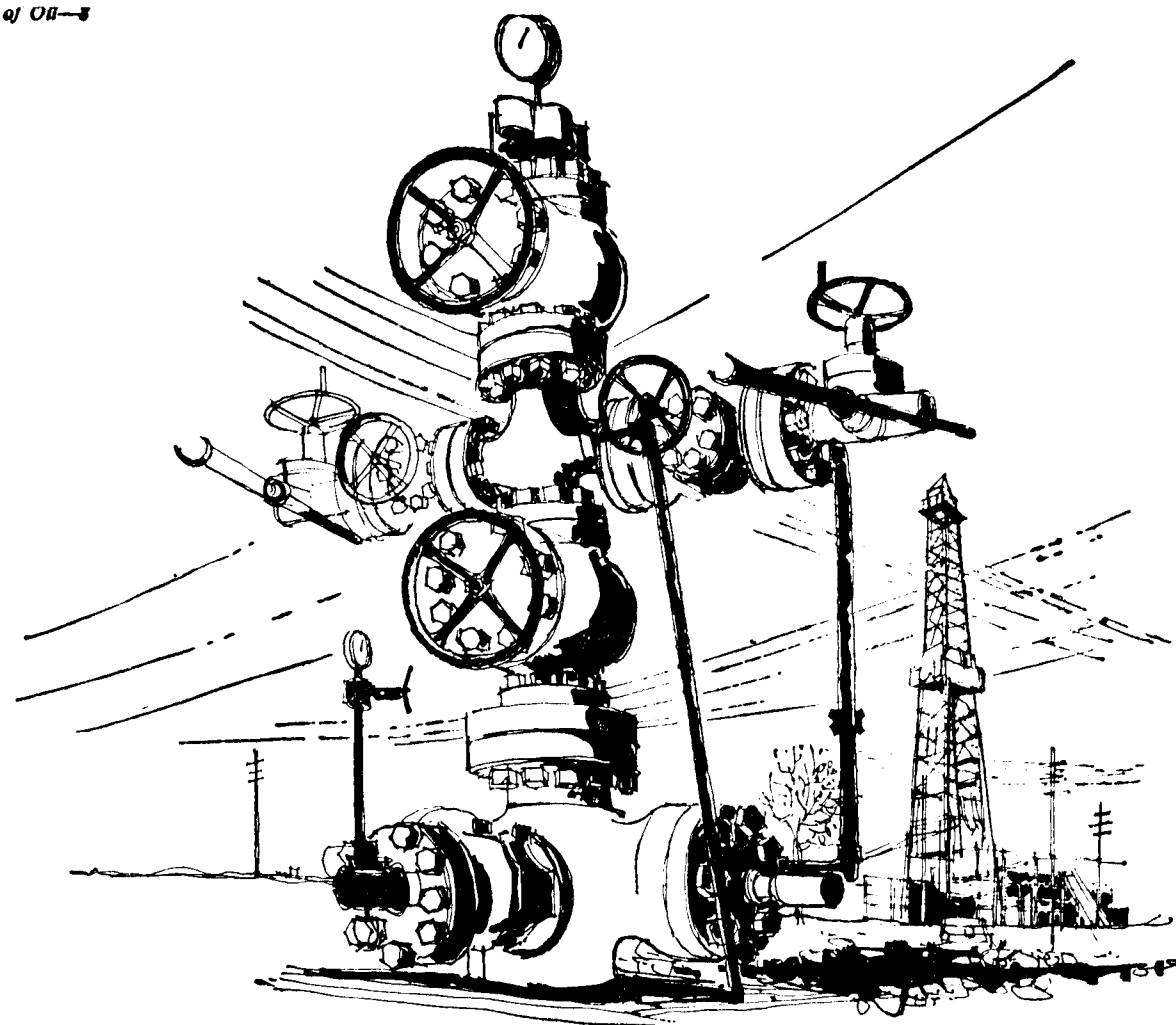
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Crude oil, by itself, cannot move. It usually lies between natural gas (on top) and water, so that when the oil trap is pierced by the well, any gas present seeks to expand and pushes down on the oil, driving it upwards. Or gas may be dissolved in the oil itself, and as it expands it pushes the oil to the surface. If, however, a large quantity of water lies below the oil, it forces the

oil out of the porous rock and into the well. Sometimes a combination of gas and water pressure drives the oil to the surface.

Normally this pressure is sufficient to keep a well flowing for some time. But as the porous rocks are drained, the pressure declines. Then one of several artificial methods can be used to keep the oil flowing. The 'Christmas Tree' can be replaced by a mechanical suction pump which draws the oil up to the surface. Or gas can be fed into the deposits (between the casing and the tubing) to mix with the oil and bring it to the surface. Or, as a last resort, gas or water can be pumped down a neighbouring well to recreate the original pressure.

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Economic Report from the U. S.

INTERNATIONAL COMMODITIES PROBLEMS

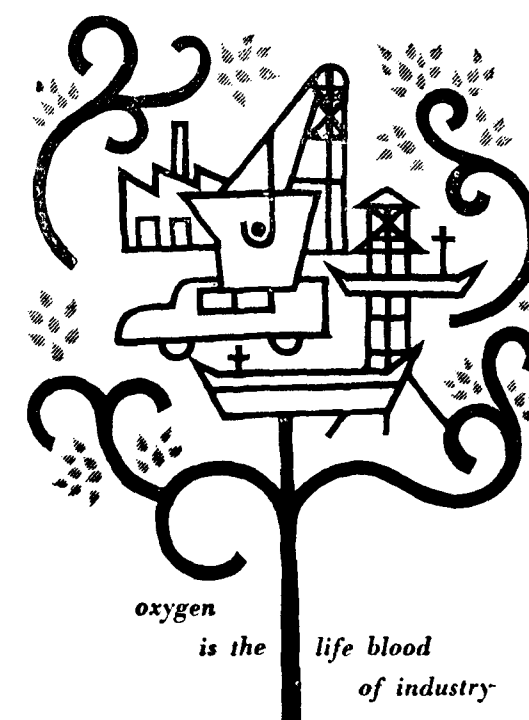
(By GUY SIMS FITCH)

WASHINGTON, May 6.—At a moment when the world is trying to solve international commodities problems and reconcile divergent national viewpoints, a new and disruptive force has intruded upon the scene. The Communist-bloc countries have shown an increasing propensity for upsetting international commodity markets, to the detriment of other nations. The latest example is furnished by recent developments in Communist tin policies. Increasing tin shipments from behind the iron curtain are posing a threat to tin markets at the very time that other supplying countries are trying to stabilize supplies and prices. Here in Washington, Bolivian ambassador to the United States Victor Andrade this week characterized this Communist policy as a form of economic aggression against the tin-producing countries. It has, he pointed, weakened prices, forced a downward adjustment in the exports of Bolivia and other tin producers and generally impeded their economic progress.

In London, the International Tin Council has estimated that exports of tin from Eastern Europe — mainly from the Soviet Union — to Western Europe totalled 3,100 long tons in the first two months of this year. This was about double the exports from that area during the same period last year, when the supply-demand situation was somewhat more favourable than it is now to producing countries in Asia and Latin America. In all, more than 12,000 tons of Communist tin have appeared on world markets since early last year, making the Soviet bloc a net exporters for the first time. And tin from Communist China suddenly entered the world market this past March for the first time since World War II. What makes many economists particularly suspicious of this Communist tin policy is the fact that it is by no means an isolated instance of Communist attack of vulnerable commodity markets. The Soviet bloc has followed a similar course, for instance, in its aluminium and cotton manipulations. The case of aluminium is especially instructive. Ever since the end of World War II, until the past year, aluminium producers throughout the world were hard pressed to meet the demands for their output. But in the last year supply has caught up with demand, and some producers have been operating at less than capacity. In the years when aluminium was in tight supply, the Soviet Union exported virtually none of this important metal. But beginning last year, when the world supply began to ease, it began selling aluminium in considerable quantities and at a price well below the going world quotation.

Canada, a principal producer, sought to counter this Soviet move by offering some of its customers a special discount. But then U.S.S.R. kept its price below the Canadian price and indicated its intention to continue doing so. Economists now agree that this Soviet policy of suddenly selling large quantities of aluminium cheap during a period of temporary oversupply was a major factor in depressing the price not only in Canada but in other producing countries as well. The economists know, of course, that demand for tin, aluminium and other commodities will be rising again. Indeed, the problem of the future may well be to obtain large enough quantities to meet the needs of expanding economies around the world. In the meantime, however, the Communist policy is adding

another burden to those already being borne by many countries. And the harm will be greatest not to the advanced countries, which are in better position to withstand the Soviet economic manoeuvrings, but to the less-developed lands, which are in a more precarious position and must dispose of their output in competition with disrupted Soviet tactics. Bolivia, for instance, depends on tin for nearly 60 per cent of its exchange income, which in recent years has been about \$100 million. Now, Ambassador Andrade notes, Bolivia stands to suffer a \$20 million exchange loss this year because of the reduction of tin exports and the weakening of tin prices which are largely traceable to Soviet actions.



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the years 1957 and 1961. This volume, even if achieved, plus the existing fleet computed to be about 130,000 vehicles less obsolescence is hardly adequate for what is estimated as the minimum requirement for moving the products of the second Plan economy. Some special effort would be necessary as much for supply of more vehicles as for improving the road system, including the bridging of important rivers and provision of feeder roads from and to centres of production and consumption. We have the triple problem in road transport which must find a solution if the planned economy is to achieve even a modicum of success in operation. There is first the problem of building the balance of 114 bridges as planned; of extending the mileage of national highways to a minimum of 15,000 miles; of a concerted and intelligent development of feeder roads and by-ways. The problem, we are assured, is being energetically tackled by the Transport Ministry. The second problem is the quick supply within the next few years of an adequate number of trucks with payloads ranging from one-ton to ten-tons and of truck-trailer and tractor-trailer combinations for service on the main routes. I reckon that from now provision of a minimum of 50,000 trucks a year and say 5,000 tractor trailer combinations should be made. The producers of trucks, tractors, trailers in India are not equipped today to furnish this quantity of vehicles. A concerted and co-ordinated programme as between the various manufacturers, a decision to speed up local manufactures and a direction to get the results at any cost is the desideratum of planning in this context. Finance is the mobilizer and I suggest that while the Ministry and the Planning Commission engage themselves in devising methods of co-ordination and direction, the proposed Refinance Corporation for Industry Private Limited should take up, as a matter of priority, the requirements for capital finance of the various manufacturers for the speed-up. I reckon that a matter of Rs. 10 crores will be needed and this is not a large amount for insuring the production of 50,000 trucks and 5,000 tractor trailer combinations a year in the country.

Alongside such production there will be the question of off-take — who will buy these vehicles and who will operate? This is problem number three. The decision that the moratorium on the nationalisation of goods transport has been extended till the end of the third Five-Year Plan period is good as far as it goes, but it is not enough. Apart from long-term induc-

ments for people to engage themselves in this service with its high obsolescence mark, there is the vital question of finance. Money for financing the purchase every year of 50,000 truck services and for finding operating costs thereof is simply not there in the country. I suggest a Truck Finance and Development Corporation which would guarantee the manufacturers the purchase of all the vehicles they can produce and which would simultaneously offer the operators easy payment terms on an instalment basis. The Hire Purchase System has become a normal and essential part of the automotive trade in America and in Europe. Private agencies no doubt have flourished in India too, but their scale of operations is too small and their finances insufficient. The Truck Finance and Development Corporation which I am asking the State to sponsor should be able to meet the demands of the problem as posed by me with capital fund of say Rs. 50 crores — a small sum as compared to the huge outlay on the railways system. If the charter of the Refinance Corporation cannot be specially amended to render assistance in full scale to the present manufacturers for they may not come in the category of "medium industries", their capital finance will need to be provided by the Truck Finance and Development Corporation which I have proposed.

Railway transport in India quite correctly received priority, but there are physical limitations to its quick growth. For a Road Haulage Service the limitations are minor and of not such colossal magnitude in capital expenditure as in the railways. Rupee for Rupee, investment in a properly co-ordinated Road Transport organisation will yield much richer dividends than in the railways. I am convinced that what I have suggested in the matter of transport organisation will not only provide prominent additional employment, but also lay securely the foundations of a modern transport system as has been the experience in other countries.

With the result of operations over last year as presented to you today, you will join me, I am sure, in expressing our appreciation as shareholders of the Company of the very fine effort made by the staff and the workers, and I hope that they will continue to work with equal zeal and enthusiasm over the coming years.

Note: This does not purport to be a record of the proceedings of the Annual General Meeting.



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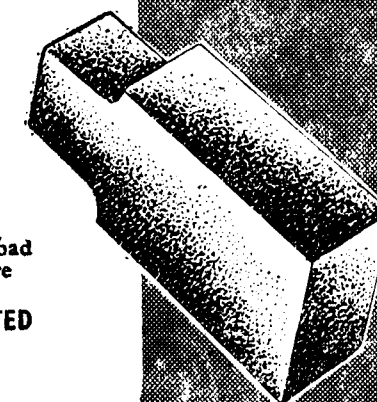
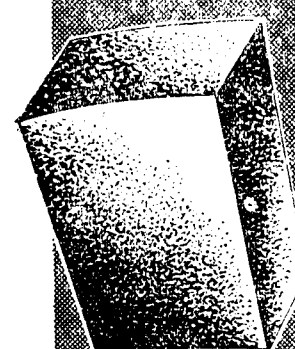
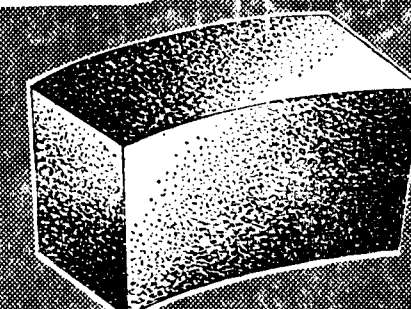
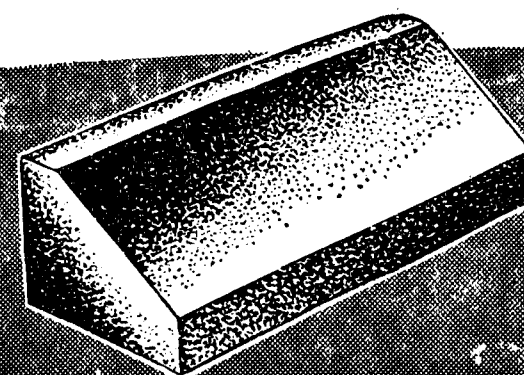
For further particulars write to:
**The Cement Marketing Co.
of India Private Ltd.**

Head Office: 'Cement House',
121, Queen's Road, Bombay

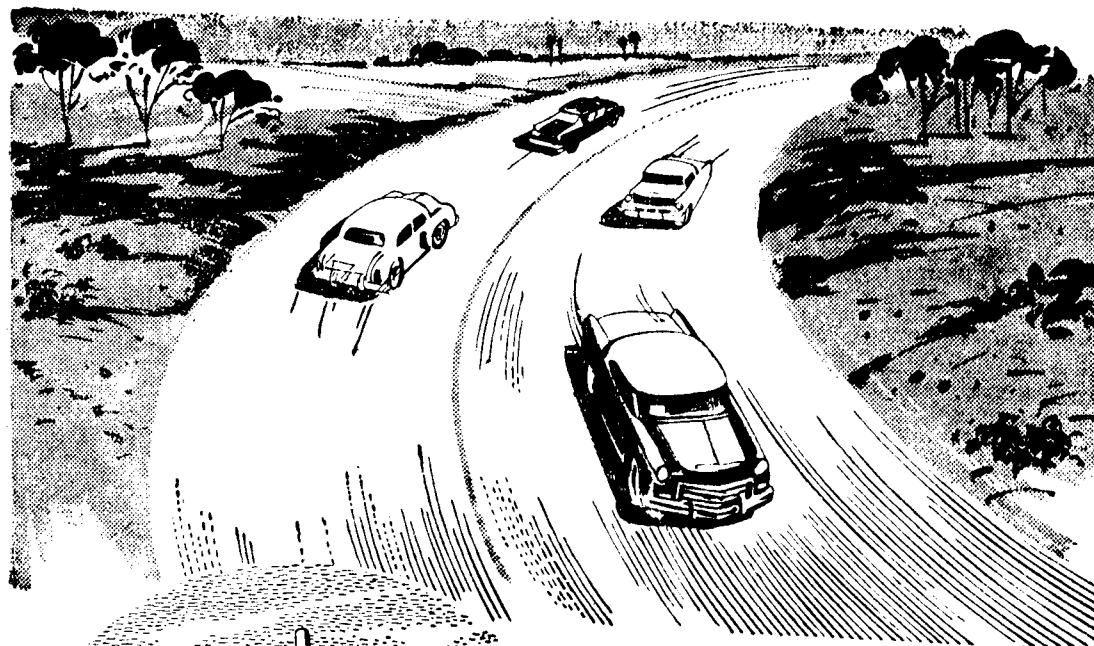
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Post Box 289, New Delhi
New Colony, Jaipur

TRACTOR & EQUIPMENT CORPORATION (PRIVATE) LIMITED
P.O. Box 279, New Delhi

T.U.P/41

COMPANY AFFAIRS

THE BANK OF RAJASTHAN LIMITED

The working results for the year ended December 31, 1957 show an all round expansion of the business of the Bank. The earnings increased so that the gross income for the year rose to Rs. 20,16,900 showing an increase of Rs. 5,02,432 or about 25 per cent over that of 1956. The net profit at Rs. 2,75,041 was the highest in the history of the bank. The largest source of income, of course, was the interest on advances which brought about 70 per cent of the total.

A sum of Rs. 55,212 has been separated for the Reserve Fund. Another sum of Rs. 25,000 towards the Investment Reserve Fund and a sum of Rs. 1,04,000 has been provided for the Incometax. Rs. 7,500 have been appropriated towards the Gratuity Reserve Fund and a sum of Rs. 26,000 has been distributed as bonus to the staff. The Directors have recommended a dividend of 6 per cent free of income-tax which will absorb Rs. 55,260.

During the year under review the Bank shifted into its newly built premises in Johri Bazar, Jaipur. The opening ceremony, for which was performed by Dr. S. Radhakrishnan, the Vice-President of India. The Bank obtained permission from the Reserve Bank of India for opening four branches and are awaiting sanction for two more offices which will be opened during the ensuing year. The deposits at the end of the year stood at a record level of Rs. 3,81,14,064 and exceeded the last year's figure by Rs. 41,14,716. The working funds totalled to Rs. 4,57,32,249 as against the corresponding figure of Rs. 4,04,55,947 during the previous year. The Bank maintained a high degree of liquidity and the total liquid resources (Cash, Balances with Banks, Investments and Demand Bills) at the year end added to Rs. 2,75,33,698 and were 63.3 per cent of total liability to depositors. The investments of the Bank stood at around Rs. 1 lakh. The portfolio being comprised mostly of Government and other trustee securities and first class debentures and shares. The advances of the Bank stood at Rs. 1,81,48,774 which are 44.6 per cent of the total liability of the Bank. Almost all the advances of the Bank are repayable on demand and are self-liquidating. In this respect the Bank seems to be keeping within the 'safety' limits.

THE MYSORE SUGAR CO. LTD.

After setting aside Rs. 6,62,761 for depreciation for the year ended June 30, 1957, the Mysore Sugar Co. Ltd. shows a net profit of Rs. 4,32,215, as compared with Rs. 9,11,574 for the previous year. Presumably because of the lower profit, no provision has been made for the lower profit, no provision has been made for the lower profit, no provision has been made for the lower profit. But the Directors, unlike in the previous year. But the Directors feel that the existing provision for taxation can take care of both the normal tax liability of the year as well as the Wealth Tax. After bringing in Rs. 2,63,107 from the previous year's accounts, the disposable profit amounted to Rs. 6,96,322. The Directors have recommended a dividend of 20 per cent for the year under review, the same as for the previous year. It is noteworthy that this dividend has already been paid to the shareholders, in anticipation of their approval at the forthcoming annual general meeting of the Company on May 30, 1958. And the Directors' excuse for doing so is "the unavoidable delay that has occurred in convening the general meeting".

The Directors attribute the sizeable drop in profits to the poor quality of the cane and the consequent low percentage of sugar recovery, as also the inadequate supply of cane itself due to adverse seasonal conditions in the previous year. Actually, the Company's Mandya factory worked for 175 days and crushed 2,24,223 tons of sugarcane. The total quantity of

sugar produced came to 21,631 tons, and the percentage of recovery was 9.64. The Company's distillery also recorded lower production and sale of spirits during the year under review.

THE ATUL PRODUCTS, LTD.

The tenth annual report for the year ended December 30, 1957, of the Atul Products, Ltd. shows a profit of Rs. 51,27,924 subject to depreciation. After charging nominal depreciation for the year 1957 of Rs. 16,76,939 and adding Rs. 24,255 brought forward from the previous year, there was sum of Rs. 34,75,240 to be appropriated and the Directors have recommended that out of this sum, Rs. 5,89,174 be set apart for arrears of depreciation, Rs. 63,156 for writing off preliminary expenses, Rs. 1,50,000 for Wealth Tax for the Years 1956 and 1957, Rs. 3,50,000 for development rebate reserve, and Rs. 7,50,000 for depreciation. They have proposed a dividend at the rate of Rs. 8 per share on ordinary shares. There is then left a balance of Rs. 58,686 to be carried forward. At Rs. 2,71,86,336, the sales of the Company in 1957 showed an increase of as much as Rs. 88,44,408 over the previous year. This was possible because the expanded Sulphur Black plant and the other additional lines all made their contribution to production and sales. It is expected that this contribution would increase further during the year 1958.

The Directors state that, so far, the Company has drawn from the Government Rs. 75,00,000 (1956) and Rs. 57,00,000 (1957). In addition to the principal Company's profit, there was also a profit of Rs. 14,02,958 from Atic Industries (Private) Ltd. which is owned by the Atul Products and the I.C.I. (Private) Ltd. in equal proportions.

THE BANK OF INDIA LIMITED.

(Established 7th September, 1906.)

CAPITAL—AUTHORISED
ISSUED & SUBSCRIBED .. Rs. 5,50,00,000
CAPITAL PAID-UP .. Rs. 3,00,00,000

Head Office:

RESERVE FUND .. Rs. 3,10,00,000
MAHATMA GANDHI ROAD, FORT, BOMBAY.

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BRANCHES OUTSIDE INDIA:

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T. R. LALWANI,
General Manager.

COMMODITY NEWS AND NOTES

COTTON PRODUCTION IN PUNJAB

The cotton production scheme, which was running in the Punjab State during the second Five-Year Plan, aimed at increasing production of cotton by various extensive and intensive methods of cultivation. This information was given by Shri A. P. Jain, Union Minister for Food and Agriculture, in a written reply to a question by Shri Daljit Singh in the Lok Sabha recently. Shri Jain also stated that, under the extensive methods, it was proposed to increase the area under cotton by extending the cultivation of the crop in the old and new areas, specially where additional irrigation facilities were being provided. In the latter case, increasing quantities of pure cotton seeds and fertilizers were being distributed every year. Fumigation of cotton seed to destroy pink ball worm before its distribution to cultivators and adoption of pest control measures were also undertaken. The target of production was 12.5 lakh bales by the end of the second Plan period. The Minister further stated that the entire expenditure on the scheme was borne by the Government of India except losses on cotton seed distribution among the cotton-growers, which were shared equally between the Central and State Governments. During the first two years of the second Plan, namely, 1956-57 and 1957-58, the State Government was given grants amounting to Rs. 82,164 and Rs. 64,265 respectively, as the Central share of assistance towards the scheme.

INCREASE IN 'JOWAR' PRODUCTION

According to the Directorate of Economics and Statistics, Union Ministry of Food and Agriculture, the all-India final estimate of 'jowar' for 1957-58, puts the current year's area and production of the crop at 41,411,000 acres and 8,556,000 tons respectively, as against the partially revised estimate of 40,367,000 acres and 7,249,000 tons for 1956-57. This shows an increase of 1,044,000 acres or 2.6 per cent in area and 807,000 tons or 11.1 per cent in production of 'jowar' during the current year as compared to the previous year. The overall increase in area during the current year has been shared mainly by Mysore, Rajasthan and Madhya Pradesh and, to a lesser extent, by Punjab and Bombay. This increase is due largely to better seasonal conditions at the time of sowing this year as compared to last year. Andhra Pradesh and Uttar Pradesh have, on the other hand, reported a decrease in area during the current year as a result of unfavourable weather at the time of sowing. The considerable increase in overall production during the current year has been shared by all the principal 'jowar' producing States except Madras. The increase is notable in Mysore, Rajasthan and Punjab. The increase in production this year, as compared to last year, is generally the result of increase in acreage and good climatic conditions during the period of growth of the crop. In Andhra Pradesh and Uttar Pradesh, however, the increase in production has taken place in spite of decrease in area and is attributable mainly to favourable climatic conditions during the period of growth. Production estimates for 1957-58 and 1956-57 in respect of Andhra Pradesh, Bombay, Madhya Pradesh, Madras, Punjab, Uttar Pradesh, Mysore and Rajasthan are based on the results of random sample crop estimation surveys.

RESERVES OF LIMESTONE AND DOLOMITE IN ORISSA STATE

Important reserves of economically workable limestone and dolomite have been located by the Geological Survey of India in Gangpur area of Sundargarh district in Orissa State. Besides the Birmitrapur and Panposh, Amghat and Hathibari deposits worked by two different companies, the Department also traced a hitherto unrecorded deposit of cement-grade limestone occur-

ring over an area of 2,400 feet x 150 feet at Ludhikutoli, 10 miles north of Garpos railway station. The results which have just been published by the Geological Survey of India in Bulletin No. 12 of Series A were carried out by Sarvashri S. Narayanaswamy, Mukti Nath, S. C. Chakravarty and A. R. Gokul. According to the survey the outcrops of limestone and dolomite in the area are distributed along two main zones forming the northern and southern limbs of the Gangpur Series of rocks. The Purnapani-Gatitangar area east of Birmitrapur has been found to contain a 300-400 feet wide zone of flux-grade limestone over a strike length of 8,000 feet. The Lanjiberna deposit near Rajgangpur carries a southern belt of cement-grade limestone over an area of 7,360 feet x 150 feet and a northern belt of cement and flux-grade limestone over an area of 3,500 feet x 660 feet, intervened by a central belt containing furnace-grade dolomite in places. The deposits at Katana, Khatkurbahal and Kugurbhuka carry reserves of both flux and cement grade limestones and furnace-grade dolomites, which are partly hidden under thick mantle of alluvium. In the belt between Jaraikela, Bisra, Panposh and Amghat, there are intermittent outcrops of limestone and dolomite amidst large alluvial areas along the Kool and Sankh rivers. Discovery of sizeable new deposits in this belt is rather remote in the near future. Bands of furnace-grade dolomite also along the Sapai Nadi north-west of Dharuadihi railway station near Kinjirma, Bandubahal and Tillaimali, and also at Lifripara, 15 miles west of Sundargarh at the western extremity of the area. The Lifripara dolomite, which is by far the most important deposit in this region, extends over an area of about 6,000 feet x 250 feet.

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and DAR-ES-SALAAM (B. E. Africa)

N. M. CHOKSHI,

General Manager.

CURRENT STATISTICS

INDEX NUMBER OF WHOLESALE PRICES

(Base: 1952-53 = 100)

			Food articles	Liquor & Tobacco	Fuel Power Light & Lubricant	Industrial Raw materials	Manufactures			All Commodities
							Inter-mediate Products	Finished Products	Total	
1954-55	..	..	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.5
1955-56	..	..	86.6	81.0	95.0	99.1	100.1	99.6	99.7	92.4
1956-57	..	..	102.2	84.3	104.1	116.0	110.9	105.5	106.2	105.3
1957-58	..	..	106.4	94.0	113.6	116.5	107.3	108.1	107.9	108.4
September	1957	..	108.5	93.7	114.5	115.4	107.3	108.9	108.6	109.5
October	..	..	107.2	95.0	114.5	114.8	106.7	109.1	108.6	108.8
November	..	..	107.9	96.5	115.0	116.0	106.0	108.8	108.4	109.3
December	..	..	104.0	97.5	114.9	115.4	105.7	107.8	107.5	107.0
January	1958	..	102.5	96.4	114.6	113.6	106.7	107.8	107.7	106.0
February	..	..	100.8	96.7	114.8	111.1	105.8	107.7	107.4	104.6
March	..	..	102.3	94.9	114.7	111.2	106.8	107.7	107.5	105.4
Week Ended	..	..	102.5	94.4	114.5	111.8	106.9	107.8	107.6	105.6
22-3-1958	..	..	103.4	94.4	114.5	112.9	107.1	107.4	107.3	106.1
29-3-1958	..	..	103.8	93.4	114.5	113.6	108.4	107.7	107.8	106.6
5-4-1958	..	..	105.1	93.4	114.6	113.6	109.1	107.8	108.0	107.3
12-4-1958	..	..	105.8	93.4	114.6	115.0	109.1	108.1	108.3	108.0
19-4-1958	..	..								

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

period	Bombay			Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934 = 100	Ahmedabad July 1927 = 100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936 = 100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	138
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	339	151	154	141
1953	346	363	276	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	218	130	321	371	364	133	321	134	135	132
1956	336	352	244	142	347	424	397	151	356	152	146	145
1957	352	368	259	150	364	448	422	162	375	157	158	152
1957 June	352	368	259	152	371	446	423	168	373	159	156	155
July	358	374	263	152	371	459	424	165	375	159	164	155
August	359	375	265	155	375	468	427	163	373	157	166	156
September	357	373	262	149	378	464	426	160	372	156	167	157
October	356	372	260	149	375	461	429	162	375	155	166	156
November	365	383	265	148	378	457	431	165	391	156	168	157
December	365	383	257	145	375	443	432	165	390	154	166	156
1958 January	362	381	254	144	368	434	435	162	347	151	166	153
February	361	380	248	143	364	427	434	159	387	149	163	153
March	362	381	—	142	—	427	—	—	385	—	—	153*
April	—	—	—	—	—	436	—	—	384	—	—	—

† Base 1944 = 100.

* Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	2-5-1958			25-4-1958			18-4-1958			11-4-1958		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola) ..	114.72	112.50	113.83	114.62	113.22	113.87	114.12	112.81	113.46	113.62	111.16	112.30
Silver (per 100 fine tolas)	199.44	198.62	197.79	200.37	198.12	199.05	201.94	198.56	200.36	198.44	196.06	197.48

JUTE STATISTICS

JUTE CROP FORECASTS (Government of India & East Pakistan)					SUPPLY AND DISTRIBUTION OF JUTE 1956-57 & 1957-58		
	Prelim. Area (000) acres	Final Forecast			Supply	1956-57 lakh bales	1957-58 lakh bales
		Area (000 acres)	Crop (000 bales)	Bales per acre			
1954-55 Total	26.38	24.86	75.90	3.05	OPENING STOCKS -		
East Pakistan	13.04	12.43	46.62	3.75	I. J. M. A. Mills godown stocks		
West Bengal	5.84	5.70	15.42	2.71	a. West Bengal Mills	9.91\$	12.68
Rest of India	7.50	6.73	13.86	2.06	b. Mills outside West Bengal		
					(estimate)	0.38	0.43
1955-56 Total	30.59	33.74	97.89	2.90	Indian Carry Forward (estimate)	4.30\$	3.90
East Pakistan	17.16	16.35	55.92	3.42	Pakistan Carry Forward		
West Bengal*	6.36	8.74	21.39	2.45	(estimate)	3.00\$	5.50
Rest of India	7.97	8.65	20.58	2.38			
						17.59	22.51
1956-57 Total	..	31.38	98.02	3.12	Indian Union Jute crop		
East Pakistan	..	12.30	55.14	4.48	(trade estimate)	57.60\$	58.30
West Bengal*	6.82\$	7.41	15.19\$	2.05			
Rest of India	9.52\$	11.67\$	27.69\$	2.37	Pakistan crop (Trade estimate)	65.00\$	68.80
1957-58 Total	30.36	..	..	..	Total Supply	140.19	149.61
East Pakistan	15.64	..	..	..	DISTRIBUTION :-		
West Bengal*	5.80	7.78	18.85	2.42	Mill Consumption :-		
Rest of India	8.93	9.76	22.03	2.26	1. I. J. M. A. Mills (estimate)	60.72\$	60.00
					2. Outside Mills (estimate)	2.38\$	2.20

PRODUCTION OF GUNNIES

('000 Tons)			
Year and Month	Hessian	Sacking	Total
July-June			
1952-53	3,47.7	5,10.4	8,91.5
1953-54	3,90.4	4,44.8	8,65.7
1954-55	3,99.2	5,57.5	9,94.8
1955-56	4,03.0	6,22.9	10,95.0
1956-57	4,28.3	5,26.8	10,25.2
1957 July	35.6	45.0	85.9
August	33.9	43.1	81.9
September	33.7	47.3	86.0
October	31.7	47.1	83.5
November	33.4	53.2	91.9
December	32.1	54.7	92.8
1958 January	34.4	57.3	98.3
February	30.1	49.3	85.3
March	30.4	49.5	85.3

*Including Cooch Behar & Tripura. **Actual. \$Revised.

LATEST CROP ESTIMATES

Crop	Estimate	Area		Yield		
		Acres (000)	Increase + or de- crease — over the corresponding estimate of the previous year (per cent)	Tons (000)	Increase + or de- crease — over the corresponding estimate of the previous year (per cent)	
Food grains:						
Rice	Final	1956-57	78,174	+1.7	28,142	+4.8
Wheat	First	1957-58	29,576	-3.9	—	—
Jowar	First	1957-58	26,776	+0.9	—	—
Bajra	First	1957-58	23,357	-1.3	—	—
Maize	Final	1956-57	9,244	+1.4	3,020	+18.2
Ragi	Final	1956-57	5,674	-0.3	1,914	+5.2
Gram	Final	1956-57	23,990	-0.7	5,930	+11.2
Tur	Final	1956-57	5,696	+1.0	2,047	+11.9
Oilseeds						
i. Edible—						
Sesamum	Third	1957-58	5,287	+2.8	—	—
Groundnut	Final	1957-58	14,457	+7.5	4,271	+1.7
Rape & Mustard	First	1957-58	2,587	-6.5	—	—
ii. Non-edible						
Linseed	First	1957-58	2,760	-5.4	—	—
Castorseed	Final	1956-57	1,405	-0.2	129	+4.0
Fibres:						
Cotton	Third	1957-58	18,300	-3.1	—	—
Jute	Final	1957-58	1,754	-3.1	4,088*	-4.7
Vesta	Second	1957-58	6,78	-1.5	1,166*	-17.4
Other Crops:						
Tobacco	First	1957-58	8,28	+1.5	—	—
Potato	First	1957-58	592	+2.7	—	—
Sugar cane	Second	1957-58	4,784	+6.9	6,403	+7.7
* Bales						

* Bales

Source: Ministry of Food and Agriculture.

Second Five-Year Plan Allocations and Anticipated Outlays

(CENTRE AND STATES)

Head of Development	(Rs. Crores)			
	Five-Year Plan Allo- cations (Original)	Five-Year Plan Allo- cations (Revised)	Anticipated outlays for 1956-59	Anticipated outlays for 1956-61
1. Agricultural Production	82	94	40	90
2. Minor Irrigation	66	96	44	92
3. Land Development	22	22	11	19
AGRICULTURE	170	212	95	201
4. Animal husbandry, dairying and milk supply	56	36	17	33
5. Forests and soil conservation	46	36	16	32
6. Fisheries	12	10	3	9
7. Warehousing, marketing and co-operation	47	40	18	32
8. Miscellaneous	10	7	3	6
AGRICULTURAL PROGRAMMES	341	341	152	313
9. N.E.S. and C.D. Programmes	200	200	87	170
10. Village panchayats	12	12	8	12
11. Local development works	15	15	14	15
AGRICULTURE AND COMMUNITY DEVELOPMENT	568	568	261	510
12. Multipurpose Projects*	—	—	146	248
13. Irrigation	381	376	111	188
14. Power	415	400	193	321
15. Flood Control and Border Projects	95	65	27	47
16. Investigation and Research	9	6	2	4
17. Public Co-operation in Irrigation Schemes	1	1	—	0.2
18. Centres Share in D.V.C. (x)	12	12	—	12
II. IRRIGATION AND POWER	913	860	479	820
III. VILLAGE AND SMALL INDUSTRIES	200	200	91	160
20. Large and Medium Industries	617	790	395	705
21. Mineral Development	73	90	25	85
IV. INDUSTRIES AND MINERALS	690	880	420	790
22. Railways	900	896.5	539	896.5
23. Roads	246	221	127	219
24. Road Transport	16.5	11	8	10.5
25. Ports and Harbours	45.5	48.5	29	48.5
26. Shipping	47.5	56	29	56
27. Inland Water Transport	3	1	—	0.5
28. Civil Air Transport	43	43	28	43
29. Other Transport	7	5	3	5
30. Posts and Telegraphs	63	53	31	51
31. Other Communications	4	3.5	2	3.5
32. Broadcasting	9	6.5	4	6.5
V. TRANSPORT AND COMMUNICATIONS	1,385	1,345	800	1,340
33. Education	307	285	109	275
34. Health	274	255	107.5	245
35. Housing	120	100	40.5	84
36. Welfare of Backward Classes	91	83	35	72
37. Rehabilitation	90	90	53	90
38. Social Welfare, Labour and Labour Welfare and Educated Unemployment Schemes	63	50	15	44
VI. SOCIAL SERVICES	945	863	360	810
VII. MISCELLANEOUS	99	84	45	70
GRAND TOTAL	4,800	4,800	2,456	4,500

* Allocation for multipurpose projects has been distributed between Irrigation and Power.

(x) Expenditure on Centre's Share in D.V.C. is included under multipurpose projects.

Census of Manufacturing Industries: Sugar and Gur (1950-54)

		1950	1951	1952	1953	1954
1. Number of Registered factories in existence .. (Sugar (Gur	(	426	158	147	149	160
2. Factories from which returns were received .. (Sugar (Gur	(	350	147	137	140	154
3. Percentage of (2) to (1) (Sugar (Gur	(	82	93	93	94	96
4. Fixed capital employed ('000 Rs.) (Sugar (Gur	(	19,02,51	20,04,49	20,34,43	20,21,11	22,25,20
5. Working capital employed ('000 Rs.) (Sugar (Gur	(	32,54,31	50,94,80	51,72,82	34,52,86	46,88,22
6. Total capital employed (6=5+4) ('000 Rs.) .. (Sugar (Gur	(	51,56,82	70,99,29	72,07,25	54,73,97	69,13,42
7. No. of workers employed (Sugar (Gur	(	1,07,895	1,01,291	1,01,737	95,018	1,01,077
8. No. of persons other than workers employed .. (Sugar (Gur	(	17,972	18,737	19,105	18,210	19,631
9. Total No. of persons employed (9=7+8) .. (Sugar (Gur	(	125,867	120,028	119,801	113,228	120,708
10. Wages paid to workers ('000 Rs.) (Sugar (Gur	(	5,48,02	6,48,46	6,16,51	5,70,71	6,92,92
11. Salaries paid to persons other than workers ('000 Rs.) (Sugar (Gur	(	2,27,64	2,51,98	2,52,13	2,47,74	2,80,31
12. Money value of other benefits or privileges ('000 Rs.) (Sugar (Gur	(	29,92	41,77	37,39	42,31	54,33
13. Total salaries and wages paid (13: 10+11+12) ('000 Rs.) (Sugar (Gur	(	8,05,58	9,42,21	9,06,03	8,60,76	10,27,61
14. Value at factory of materials fuel etc. ('000 Rs.) (Sugar (Gur	(	61,14,90	84,35,74	58,47,87	48,10,27	81,21,01
15. Value of work done for factories by other concerns ('000 Rs.) (Sugar (Gur	(	2,87	3,48	5,23	4,99	3,45
16. Depreciation ('000 Rs.) (Sugar (Gur	(	1,40,60	1,48,06	1,49,17	1,47,32	1,61,79
17. Total of materials and fuels consumed and depreciation (17: 14+15+16) ('000 Rs.) .. (Sugar (Gur	(	62,58,37	85,87,28	60,02,27	49,62,58	82,86,25
18. Factory value of products and by-products ('000 Rs.) (Sugar (Gur	(	86,32,68	1,08,79,92	83,49,77	70,71,60	1,10,78,37
19. Value of work done for customers ('000 Rs.) .. (Sugar (Gur	(	4,40	22	1,34	1,08	74
20. Total of products and by-products manufactured for sale (20: 18+19) ('000 Rs.) .. (Sugar (Gur	(	86,37,08	1,08,80,14	83,51,11	70,72,68	1,10,79,11
21. Value added by manufacture ('000 Rs.) (Sugar (Gur	(	23,78,70	22,92,86	23,48,84	21,10,10	27,92,85
22. Value added as percentage of productive capital (Sugar (Gur	(	46.1	32.3	32.6	38.5	40.4
23. Value added per person employed (Rs.) (Sugar (Gur	(	1,890	1,910	1,961	1,864	2,314
24. Value added as percentage of gross output .. (Sugar (Gur	(	27.5	21.1	28.1	29.8	25.2

Printed and Published by Devi Prasad Sharma at the Hindustan Times Press,
for "The Eastern Economist" Ltd., 52, Jan Path, New Delhi. Editor:—E. P. W. da Costa, M.A. (Oxon.)

The Eastern Economist

XXX. NO. 21

NEW DELHI: MAY 23, 1958.

ONE RUPEE

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The Verdict of Devicolam

THE result of the election at Devicolam has shattered in one stunning blow Congress hopes Kerala, which have been high ever since the Supreme Court held the election of Mrs. Rosam Punnoose invalid. It was widely believed in Delhi and Kerala that public opinion was leaning against the Communists. This was a marginal constituency in that it was won by Mrs. Punnoose in the last election by only two thousand votes. The Praja Socialist Party and the Muslim League were on this occasion on the side of the Congress, while the Communist vote was split by a Revolutionary Socialist Party candidate who, in fact, held 7,690 votes. There is almost no consolation to be drawn from the result in a constituency more favourable to a marginal victory the Congress than any other Communist-held

constituency in Kerala. The Communists have increased their lead by over five thousand votes. This has been done in the face of a Congress campaign of special vigour in which the Madras Chief Minister and the President of the Tamil Nadu Congress took prominent parts. There is no doubt whatever that, so far as this constituency is concerned, the Communists have entrenched themselves more firmly than last year. It is not unlikely that this reflects public opinion elsewhere in the State.

It is foolish to ignore the lessons of this defeat. It is already being said that, if Devicolam cannot be won, no by-election in a seat now held by the Communists is likely to go to the Congress. In other words, the Communist Party is likely

to be in power in Kerala for the entire period until the next general elections, and, on the face of it, there is no reason to suppose that there will be a marked change thereafter, unless the Congress Party changes its electoral strategy and its leadership. The Kerala public is tired of the local Congress leaders, who have been unable to give it good routine administration. The leaders of the State Congress, who have constantly believed that they were making headway, have cheated both themselves and the High Command which seems to have been optimistic on this election. It is probable that the result conveys no more than a bitter censure on the State Congress leaders, since issues of policy were not major elements in the election campaign.

So far as the High Command of the Congress is concerned, it is time to recognise that the Kerala Congress needs to be altered both by organisational change and by new alliances. The organisation of the local Congress has been badly corroded by self-interest. Obviously it is necessary that there should be immediate replacement of those who have failed to perform their duties. At the same time the situation has been underlined that the only manner in which a Congress-

influenced Government can endure is by the election of Mr. Pattom Thanu Pillai as Chief Minister on the basis of an alliance with the Praja Socialist Party. The Congress has always been in two minds about its support to Mr. Thanu Pillai. If support in the general election had been given, perhaps the Communist Government would not have been entrenched at all in Kerala. It is difficult to devise a policy to retrieve this costly error, but it is quite certain that unless it is devised, the replacing of the Communist Government in Kerala will be a matter of extreme difficulty. If Devicolam is any guide, popular sentiment is reacting favourably to the Communist claim of dedicated service to the people.

A corollary should be drawn both from Maudaha and Devicolam that the capacity of the Congress High Command to read and measure the forces of public opinion in the country is not as sure as it once was. The information reaching in Delhi is often wishful and tours by Congress leaders are too hasty and unplanned for them to provide correctives. The signs are not good; organisation, not policy, is what is wrong in Kerala as well as elsewhere. Who will provide it?

Trembling on the Brink

AN uneasy lull hangs in Paris, foreboding civil strife. Mr. Pierre Pflimlin's insecure Government is heroically striving to thwart, and finally defeat, the revolt of the army and rightwing civilians in Algeria. Because of what they described as the "impending fascist putsch", the Communists and the Socialists have decided to support M. Pflimlin's Government unreservedly. M. Guy Mollet, it is reported, is joining his Cabinet as Deputy Prime Minister. A shocked French Parliament has willingly given to the new Premier emergency powers to fight the "plot against the Republic". Under the Emergency Powers Act, he will have a free hand to deal with all subversive elements. His Government can dissolve political organisations, arrest and hold suspects, search private houses at any time, impose censorship on the Press, forbid public meetings or demonstrations, and close cinemas, theatres and cafes. M. Pflimlin's Government has acted swiftly and placed all troops in Metropolitan France on the alert, called out riot police, and ordered the dissolution of four extreme Right-wing organisations — the Patriotic Revolutionary Party, the Young Nation Movement, the National Action Front and the French Falange.

The crisis was precipitated by the seizure of the Algerian administration by a military junta headed by General Jacques Massu. But the current crisis extends beyond the borders of France's prize colony, and the "Parachute General" has received support from across the Mediterranean from such important personalities as ex-Premier M. Georges Bidault, an ex-Minister, M. Jacques Soustelle, and the Naval Commander-in-Chief of the French Mediterranean Fleet, Admiral Auboyeau. Even the Commander-in-Chief of Algeria, General Raoul Salan, seems to have joined the rebels to fight M. Pflimlin's Government which they dub "the Government of abandonment". Meanwhile, the Committees of Public Safety, which have sprung up throughout Algeria, have taken over the civil administration.

Though the crisis has developed with the speed of a thunderbolt, it was not unexpected. The crisis is the result of a deep-rooted *malaise*

in the French body-politic. The instability of the French cabinet has not only brought the system of parliamentary democracy into disrepute; it has also helped the leaders of the French armed forces to delude themselves into the belief that their continuous reverses in the post-World War II period flow from lack of a strong Government in Paris. To many old professional officers and soldiers Algeria seems to offer a last chance of regaining self-respect. Many energetic young officers in Algeria are sick of having their fighting potential weakened by a "passive" high command or by "intriguing" and "defeatist" politicians at home. They have, on several occasions in the past, demanded a "full-fledged" imperialist war in Algeria in order to regain their "reputation" and to revive the "glory and greatness" of France. Meanwhile, the protracted "war" against Algerian nationalists has resulted in an increase in the cost of living in France. Higher taxation has added to the discontent not only of labour and the middle class; there is grumbling also in the army. The military junta, along with extremists among the *colons*, have, therefore, accused the new Premier of "selling out" Algeria to *fellaghas* and appealed to the war-time hero, General Charles de Gaulle to "break his silence and form a Government of public safety." This is calculated to have a psychological effect. General de Gaulle has virtually answered the call by expressing his readiness "to assume the powers of the Republic". But it is difficult to see how General de Gaulle can assume supreme power superseding the authority vested in the President of the Republic unless the present Constitution is scrapped and the Fourth Republic ended. The French National Assembly, at least so far, has shown no intention of voting itself out of power. In the words of M. Pflimlin, however, General de Gaulle's statement "threatens to tear the country apart". President M. Rene Coty too has urged upon the military to keep the country in tact.

Even if these appeals, in the name of national unity, are heeded and France escapes the horror of a civil war for the present, it is difficult to see how it will solve the dilemma on the horns of which France is placed. Neither a total war

against nor a negotiated peace with the Algerian nationalists seems to provide a solution. While a war against the Algerian *fellaghas* would satisfy the army, the *colons* and Rightwing public opinion, it is doubtful if it will help France to maintain its hold on its North African colony, in view of resurgent African nationalism. The experience of Indo-China should have convinced the French that the days of imperialism are numbered, and that their country lacks both military power and the economic resources needed to support a colonial war. There is also not even a remote possibility of a negotiated peace with the Algerian nationalists because of the fear of internal upheaval. Already, M. Pflimlin has declared that his "Government will never allow the bonds linking Algeria and France to be broken". Thus, there does not appear to be any chance of an easy

solution to the French crisis.

Moreover, the vote on the Emergency Powers Bill showed the clear crystallization of Extreme Right and Extreme Left. This is an ominous development, and may breed more trouble in the months to come, even if M. Pflimlin's Government is able to weather the storm this time. It will not be a matter for surprise if the situation gradually deteriorates into nationwide strikes and armed clashes between the supporters and opponents of French colonial policy. But as the example of Indo-China shows, France in recent years has not pursued logic to a breaking-point. A solution inside France may well precipitate a European crisis. What would General de Gaulle's arrival mean to NATO or the Soviet Union?

The Dispute at the Docks

DOCK labour is once again belligerent. This time workers in the six major ports have held out a threat of a total strike to commence on June 16 next. The dock dispute must not be confused with the labour disputes which are casting their ominous shadows in other parts of the country — at Jamshedpur, Bombay and Madras, for instance. This dispute is not of recent origin. It dates back to 1954, when, with the formation of the All-India Port and Dock Workers' Federation, labour adopted a militant attitude. It started pressing hard its claims on an all-India basis to cover conditions of service and pay as well as other emoluments at the six major ports. Total work stoppage or widespread dislocation at these ports is fraught with serious consequences to the foreign trade and progress of production. Evidently, the Federation leadership is fully conscious of the power it can wield to hold the community to ransom. It did not hesitate to do so last year. In the name of enforcing the national demands of port labour, workers in Bombay port went on strike in July 1957. This was a critical period when congestion of cargo was assuming grave proportions and the threat of foreign shipping lines to impose a surcharge was dangling over the heads of the port trust authorities. The conciliatory attitude shown at that time has obviously emboldened the leaders of the Federation. In their statement of last week they have spotlighted the possible hardship that the community may have to suffer in the event of the strike, although they have attempted to make out a case that it is the compulsion of the situation that makes them take this course.

In justification, they have thrown up a challenge to "let the record (of the dispute) speak for itself". No one need be taken in by this show of challenge. The record cannot speak for itself in entirety, unless the problem is oversimplified, as the Federation would have it done, and considered in isolation in complete disregard of the basic conditions which govern labour in the two categories of major ports. The Federation's peremptory demand is for the immediate implementation of the recommendations contained in the Choudhury report tendered late last year. It is noteworthy how the Federation is taking extreme attitudes and then shifting them. It had to abandon its original contention that the report must be accorded the status of an adjudicator's award. The participation of the Federation in negotiations with the port trust authorities and the Ministry of Transport as well as in last week's tripartite conference demonstrate nothing

else. Its latest demand that the report must be implemented in toto here and now is wholly untenable.

The report raises a preliminary issue of great basic importance, which the Federation conveniently chooses to ignore, but which is frankly acknowledged by Mr. P. C. Choudhury. He has set out the qualification to his recommendations in no equivocal terms: "My proposals for rationalisation have been framed in the light of the pay scales recommended by the Central Pay Commission. The Government of India have now constituted a new commission of inquiry. It is possible that some of the principles which have governed my proposals in regard to pay scales and conditions of service, particularly of the three ports under Central administration, may come up for review by the commission of inquiry and my recommendations may require modifications to that extent". This point needs some elaboration. Of the six major ports, Visakhapatnam, Cochin and Kandla come under the direct administration of the Central Government. The new commission of inquiry, or, in popular parlance, the Second Central Pay Commission, cannot exclude from its consideration this category of government-administered ports. The three premier ports of Calcutta, Bombay and Madras are administered by statutory, autonomous port trusts which are clearly outside the jurisdiction of the Pay Commission. Pay scales and other conditions of service obtaining in them are based conventionally on higher standards than those in the Centrally administered ports. But the conditions of jobs to be performed in the two categories have also their differentials. The Federation insists on absolute uniformity of pay scales and other terms of service at the six ports. This is an extreme attitude to take. The Federation hopes to score immediate gains by securing upward revision in the Centrally administered ports. If the Second Pay Commission's recommendations (which may pursue a course of caution) necessitate downward modification of the enhanced scales for labour in the government-administered ports, how will it face the prospect of surrender of higher emoluments and particularly of cuts below the existing levels in the case of Calcutta, Bombay and Madras?

The Federation's memorandum of demands presented to the Transport Ministry last week makes a significant disclosure of the limit to which the notion of uniformity of pay scales can be pushed. It denounces the piece-rate system of remuneration and records its opposition to it.

sation and distribution of milk would serve the interests of the consumers better. This is indeed fantastic. The efficiency of the Delhi administration has yet to pass beyond the region of controversy and there is no reason to believe that officialisation of the milk trade is going to perform the miracle which private co-operative effort cannot do.

The memorandum goes to the core of the problem when it points out that the official scheme errs in its emphasis on objectives which are comparatively less important from the point of view of the consumer as well as the producer. The basic problem is one of increasing milk supply and priority should be given to the development of supply from Delhi villages in preference to imports. It also stands to reason that the more the local supply increases, the more the price can be lowered. Hence the highest priority should be given to those measures that would augment supply to meet the increasing demand, like improvement of cattle breed, encouraging green fodder production and supplying cheap credit to the cattle keeping peasants. So far as the removal of the urban cattle is concerned, the memorandum suggests a three-pronged drive which is eminently sound. One is that with the steady improvement and cheapening of the rural milk supply, the urban stables are bound to be competed out. Secondly, there is no virtue in establishing three big colonies to house all the 12,000 cattle. Since expert opinion is already veering round resettlement of urban cattle in small units in the rural setting, it would be better if Government first establishes a small experimental colony and evaluates the experience. Thirdly, during the transition period while some cattle still remain in the urban areas, their maintenance should not only be licenced but allowed only in less congested areas. So far as marketing of rural milk is concerned, it suggests that the aim should be gradual co-operation so that groups of villages might be encouraged to form milk collection and marketing co-operatives. There is much food for thought in the sound plea made in the memorandum for a decentralistic, well-phased and experimental policy to solve the milk problem instead of indulging in vaulting schemes that have little to show by way of substantial achievement.

TWO NUTRITION SURVEYS

THE FINDINGS of two recent studies bearing on nutrition constitute the theme of this note. The first is a study on energy metabolism carried out in the Nutrition Research Laboratories at Coonoor (South India) and the second a diet survey done in the rural areas of Bihar under the auspices of the Indian Council of Medical Research. The Coonoor study throws light on how much energy is expended by an average person in varying non-basal conditions. The Bihar diet survey covering the rural areas of Purnea, Darbhanga and Ranchi districts throws light on the consumption of food grains and vegetables in quantity terms.

According to the Coonoor study, in the case of an average person (weighing 123 lbs.) sitting on chair, the energy expenditure is 74 calories per hour; one (123 lbs.) sitting on chair and writing or working at calculations, 90 calories; one (119 lbs.) standing at ease, 79 calories; one (119 lbs.) standing and doing laboratory work, 110 calories; and one (126 lbs.) walking at 3 m.p.h. on level smooth surface, 197 calories. It may be seen that even the largely physical or mechanical effort involved in clerical or accounting work accounts for an average energy expenditure of as much as 90 calories per hour. If the intense thinking effort involved in literary or statistical work is taken into account, the average energy expenditure should be far greater. If, again, it is remembered that the brain metabolism of every person is ordinarily so enormous

that it requires 10 to 20 times more oxygen than that required by the muscular system, it is easy to see how much more enormous the brain metabolism of an above-the-average intellectual worker should be. Well may it be said that if the labourer is worthy of his hire, the brain worker is worthy of his in a more abundant sense. As the brain cells are not periodically renewable like other types of cells in the human organism and their chemical composition is different from that of the latter, the nutritional requirements of a brain worker should be far greater in terms of quality than those of a manual worker.

The Bihar diet survey has brought out that in Purnea District rice accounts for 20.3 oz. per consumption unit per day, millets 0.6 oz., wheat 0.5 oz., pulses and beans 2.3 oz., leafy vegetables 1.3 oz., and non-leafy vegetables 2.2 oz. In Darbhanga District the respective quantities are 3.2 oz., 6.6 oz., 0.2 oz., 2.1 oz., 0.8 oz. and 11.0 oz. And in Ranchi District they are 11.6 oz., 3.5 oz., 0.3 oz., 1.9 oz. and 1.9 oz. respectively. What is most interesting here is that in the rural areas of Darbhanga District all food grains account for 12.1 oz. while vegetables for 11.8 oz. per consumption unit. In Purnea, on the other hand, food grains account for 23.7 oz. and vegetables for 3.5 oz. per consumption unit while in Ranchi District the respective quantities are 16.8 oz. and 3.8 oz. The conclusion that emerges is that in so far as calorie intake is concerned, rice can be partly replaced by vegetables. Such substitution by vegetables can be more beneficial too inasmuch as they supply, besides carbohydrates, some chemical substances and vitamins. But not all rice-eaters will relish and eat much more vegetables than rice. Such of those as do contribute their daily mite to the relief of rice scarcity in the country. The peasant in rural Darbhanga is clearly one of them.

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A Window on the World

WHY I BICYCLE IN LONDON

By

ODYSSEUS

WHETHER you are a worker or an entrepreneur, if you, being organised in a trade union or in a federation of industrialists, use your quasi-monopoly power to extract a higher wage than your productivity justifies, or a higher selling price than consumers think fair, you may hold up the community to ransom for a longer or shorter period, but not for ever. The British coal miners and bus drivers are learning this now.

A coal miner must be paid a sufficient wage—as far as the general level of wealth in the community allows—to compensate him for the dangers and unpleasantness of his work. If, in an industrialised country like the UK (which does not suffer from excess of man power like India), you refuse to pay miners a competitive wage, young workers will not enter mining but will go to other industries which pay better; older men already in mining will seek to leave; and you will be left only with those miners who are too old or too unenterprising to leave.

But if it is true that mining employers (in the UK the National Coal Board) must not let their wages lag so far behind the national average that they lose miners, they can only raise wages within the limits of the productivity of their industry. There is a belief in welfare countries that the worker is entitled to receive in his wages the value of all additional productivity. He is not. There must be a margin for adequate rewards for investors and entrepreneurs, and for the renewal of plant. The argument applies equally to each one of these partners in industry. If investors or entrepreneurs are denied their share of the profits, they will not invest further in the industry, and first class entrepreneurs will take their talents elsewhere, leaving mediocrities behind.

The argument is true not only as between industries, but between countries. Throughout history, the more enterprising have been ready to leave their native countries to seek better fortune among strangers, rather than tolerate oppression or lack of opportunities. If one could penetrate the mists of history, it is certain that we should find that the migration of the Aryan-speaking peoples from the heart of Asia into India sprang from their desire to better themselves. The entire white population of North America has been recruited from discontented or ambitious Europeans. Among young Britons today, there is a wide-spread urge to get away from the stifling endearments of social security which ensures them a minimum of everything and prevents them from ordering their lives according to their own ambitions. Canada and the USA are attracting some of the cream of the youth of Britain and France who are sick of bureau-seurocracy.

INDIA'S LOSS

India, also, suffers thus, because her limitations on free enterprise, coupled with her income-tax laws, fail, on the one hand, to attract into India some of the able young technicians of Europe who are ready to go abroad to better themselves, and, on the other, tempt some of her own young people, who are studying abroad, to try to make their careers outside India.

We have wandered from our British coal miners. Let us return to them. After the war, the UK faced a shortage of power. The problem was how to step up the production of coal. Capital was poured into every labour-saving, productivity-raising device. Wages were continuously raised, from £7.7sh. 3d. (Rs. 96) a week in 1947 to £14.16sh. 4d. (Rs. 193) in 1956. But while wages were thus more than doubled, output rose only from 2.76 tons per man shift a week to 3.33, i.e., by 0.57 of a ton. Production rose from 178,000,000 tons in 1946 to 210,000,000 in 1956, compared with 227,000,000 tons in 1938.

Simultaneously, the domestic demand for coal was so great that the foreign-exchange-earning export of British coal had to be cut out, while the National Coal Board showed an accumulated loss of £37,000,000. I outlined the circumstances of the British coal industry here on April 5, 1957, and I need, therefore, only repeat my conclusion that production lagged behind demand because the miners would not let their ranks be increased by the thousands of Hungarian and Italian miners anxious to quit their own countries to better themselves abroad. The British miners feared that their wages would be depressed if substantial numbers were added to them.

THE UK COAL MINERS' ACHIEVEMENT

The miners were right in believing that a large influx of workers would, for a period, probably prevent further wage rises. But they have sacrificed the substance for the shadow. Their wages constitute over 60 per cent of costs, and as their productivity has risen hardly at all, consumers have suffered a constantly rising price of coal. It is today over four times the 1945 price. Consumers have therefore been given an incentive to economise coal and to switch to other fuels. In the block of flats in which I live, lagging the hot water pipes has reduced the annual consumption of coke from 19 to 10 tons. The consumption of fuel oil by British industry in 1946 was a mere 427,000 tons. In 1956, it has soared to 10,394,000 tons.

Today the UK has a glut of expensive coal. The surplus overflows from all normal stores into quarries and may yet be tipped into disused coal mines! To meet this challenge the National Coal Board has stopped Saturday shifts and suspended recruiting. This does not please the miners who want legislation to prohibit the use of oil!

In fact, what the miners face (although no politician dare tell them so) is either (a) the maintenance of their existing scales of wages, together with the wholesale closing of all mines except those whose productivity is great enough to allow a profit with a 60 per cent wage bill—which would mean the dismissal of large numbers of the existing 703,000 miners, or (b) the maintenance of most of these miners in their jobs at substantially lower wages. This alternative is not likely to be accepted.

London's bus drivers have created the same situation for themselves. The growth in the number of

This, then, is the party that will dominate the coalition that is bound to emerge from next week's elections. Its economic balance-sheet for the past ten years of power is impressive. Order is untroubled in a country that has known more than its share of disorder. Post-war reconstruction is complete. The currency is extremely sound and the international position of Italy, both as a debtor and as a political ally, is excellent. Unemployment has been reduced by 600,000 in the past three years, though in a country with a rising population it remains considerable: 1,400,000 without work. National income is expanding steadily; industrial production, the trade balance and the balance of payments are all rising. Most creditable of all, prices are stable and the country has demonstrated that at least moderate expansion is possible without inflation. But in the six visits I have made to Italy since the war I have not known whether to be impressed by the nation's economic vitality or appalled by the grotesque inequality of social conditions. This latter is much more glaring in Italy than in India for although the poor are less poor in the peninsula than in the subcontinent, the rich are much richer. Rome, Milan and Venice display more gorgeous luxury, among certain classes, than any other cities on earth.

The Communists, isolated, divided and somewhat weakened, are unable to do anything about this situation. It will only be attacked if the Christian Democrats are obliged by the coming elections to govern in coalition with the socialist left. This left is divided between the Nenni socialists and the Social Democrats, and even the break between the former and the Communists has not remedied this division. The terms that the Social Demo-

crats insist on for a reunification of the non-Communist left are three: Signor Nenni and his friends must break totally with the Communists, must subscribe to the principles of the Socialist International and must accept the general principles of the Atlantic Pact. The Nenni faction accepts the first two but boggles at the third, but there is hope that even here agreement might be reached gradually. Thus the most important possible change in Italian political life has nothing or little to do with the elections; the search for the lost unity of the democratic left will continue in the new parliament.

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WORLDGRAM

AGRICULTURE

Disease-Resistant Varieties of 'Bhindi': Several disease-resistant varieties of 'bhindi' or 'okra'—a popular vegetable in all parts of India—have been developed recently in the Botany Division of the Indian Agricultural Research Institute, New Delhi. The new varieties are almost immune from a widely-prevalent virus disease, which causes yellowness of leaves and trees, and is responsible for the greatest loss to this vegetable crop. Seeds of the new varieties are now in a final stage of trial, and will be multiplied in the current year. A small quantity of seeds of the new varieties is expected to be available to vegetable growers for the crop season, 1959.

INDUSTRY

Scientific Methods of Hide Flaying: To impart training in scientific methods of hide flaying, curing and carcass utilisation, the Government of India has sanctioned a scheme for setting up of a centre in Delhi. The centre will be located at the Hides and Skins Industrial Co-operative Society, Delhi, which is being given a grant of Rs. 10,000 for this purpose. For the present, it is proposed to train three batches of 20 trainees annually. Each trainee will be given a stipend of Rs. 45 per month. In addition, a one-month refresher course meant for 'Gosadan' managers on economic utilisation of carcasses will be held here each year. The flaying staff employed in 'Gosadans' and others engaged in this occupation, who are nominated by their respective State Governments, will be admitted for training. Mr. F. H. Hoek, an FAO expert in hide flaying, will guide and supervise the training courses.

Workshop and Training Centre for Small-Scale Industries: A comprehensive scheme for the establishment of a Proto-type Workshop and Training Centre for small industries at Howrah has been drawn up following discussions between the Japanese Technical Survey Mission and officials of the Government of India. The Japanese Mission under the leadership of Mr. K. Tachibana arrived in India on April 23, and has been having a series of discussions with officials of the Government of India and of the Government of West Bengal. The Mission consists of experts in machine tool, foundry, forging, electrical measuring instruments, etc. The details of the project, including the machinery and equipment and technical experts required for the Centre have been included in the agreed minutes of discussions signed on May 14, 1958 by Dr. P. C. Alexander, Deputy Secretary, Ministry of Commerce and Industry, on behalf of the Government of India, and Mr. K. Tachibana on behalf of the Japanese Mission. This was followed by an exchange of letters between Shri K. B. Lall, Joint Secretary, Ministry of Commerce and Industry and Mr. A. Shigemitsu, Counsellor, Japanese Embassy in India. While the conclusions reached between the two countries have been endorsed in the exchange of letters, further discussions will take place between the two Governments on the implementation of the scheme of the project which has been drawn up.

TRADE

India Exports 120 Engineering Items: Exports of engineering goods from India recorded a slight increase in 1957. India exports nearly 120 different items of engineering goods to various countries. The exports of diesel engines, sewing machines, electric fans and centrifugal pumps, agricultural implements and oil mill machinery registered significant increases. The value

of diesel engine exports rose from Rs. 4.28 lakhs in 1956 to over Rs. 10 lakhs in 1957. Indian diesel engines were exported to 25 different countries, the principal buyers being Bahrain, Oman, Cyprus and Thailand. Sewing machines worth Rs. 5.6 lakhs were exported during the year as compared with Rs. 4.3 lakhs in the previous year. These exports were made to 18 different countries; Australia, Ceylon and Kenya were the leading buyers. The export of electric fans amounted to slightly over Rs. 18 lakhs during 1957 as compared with Rs. 12.7 lakhs in the previous year. Thirty different countries bought Indian fans, the main buyers being Ceylon, Burma, Malaya, Singapore, Kuwait and Thailand. The value of centrifugal pumps exported was nearly Rs. 1.2 lakhs as compared with Rs. 53,000 in 1956. The exports of agricultural implements rose from Rs. 8.8 lakhs to Rs. 11.2 lakhs. The value of cutlery exports rose to nearly Rs. 8 lakhs as compared with Rs. 4.8 lakhs in the previous year. Oil mill machinery worth Rs. 14.2 lakhs was exported in 1957 as compared with Rs. 8.6 lakhs in the previous year. The value of textile machinery exported rose to Rs. 2.2 lakhs from Rs. 1.5 lakhs and that of rice and flour mill machinery to Rs. 1.4 lakhs from Rs. 34,000. Shoe making machinery worth Rs. 3.85 lakhs was exported which was double the value of the export in the previous year. Among other engineering goods which recorded rises were sugar mill machinery, bolts, nuts and rivets, galvanized iron products, cast iron products, water fittings and stainless steelware. Among the items which showed a downward trend in exports in 1957 were hurricane lanterns, bicycle components and accessories, hardware, dry batteries and steel barrels and trunks. Region-wise, South-East Asia is the biggest customer for Indian engineering goods. In 1957 out of the total exports worth nearly Rs. 4.39 crores, the exports to South-East Asia totalled about Rs. 1.3 crores. West Asia took engineering goods worth nearly Rs. 1.28 crores and Africa worth about Rs. 76 lakhs. Exports to Australia were worth Rs. 5 lakhs and to New Zealand Rs. 2 lakhs. The exports to other parts of the world amounted to Rs. 98 lakhs.

Foreign Trade of India in January 1958: The provisional figures of foreign trade of India by all routes, i.e., sea, air and land, on private and Government accounts during January 1958 according to data so far available in the Department of Commercial Intelligence and Statistics, Calcutta, are as follows:—Merchandise, excluding transit trade of Pakistan and other overland foreign countries viz., Nepal, Tibet, Sikkim and Bhutan: Exports Rs. 53.25 crores, re-exports Rs. 1.53 crores, imports Rs. 65.48 crores; total trade Rs. 120.26 crores. Treasure: Exports (including re-exports) of currency notes Rs. 41 lakhs, gold Rs. 5 lakhs, current coins (excluding gold coins) negligible. Imports of currency notes Rs. 4.21 crores gold Rs. 3 lakhs, current coins (excluding gold coins) nil. Balance of Trade: The merchandise import figures are exclusive of the value of certain consignments of Government stores awaiting adjustment. Subject to this deficiency in import figures, the total value of exports (including re-exports) of merchandise and gold fell short of imports by Rs. 10.68 crores.

FINANCE

Bombay Sales Tax Validation Bill: The President has given assent to the Bombay Sales Tax (Validating Provisions) Bill, 1957. The Bombay Government has promoted the Bill to place on the Statute Book such amendments to the Bombay Sales Tax Act as were declared insufficient by the Bombay High Court for the purpose for which they were made. The amend-

ments sought to validate Rule 6 of the Bombay Sales Tax Rules, 1952, which was declared 'ultra vires' the rule-making power of the State Government. It also sought to change Rule 5 which was very similar and suffered from the same defects.

*

Deficit Budgets of States: It is reported that the budget documents of ten States had so far been received in the Planning Commission. For these States, the position regarding deficit on revenue account for 1958-59 (at existing rates of taxation), additional taxation proposed for the year and deficit after taking credit for additional taxation are brought out in the following statement:

(Rs. crores)				
States	Surplus (+) or Deficit (-) on revenue account (Without taking credit for measures of additional taxation)	Estimated yield from the measures of additional taxation proposed for the year	Revenue surplus (+) or deficit (-) (After taking credit for yield from additional taxation)	
Andhra	(+) 0.8	..	(+) 0.8	
Assam	(+) 0.9	..	(+) 0.9	
Bihar	(+) 2.9	2.6	(+) 5.5	
Bombay	(-) 2.0	3.0*	(+) 0.2	
Madhya Pradesh	(-) 3.7**	1.3	(-) 2.4	
Mysore	(+) 0.1	..	(+) 0.1	
Orissa	(-) 1.1	1.7	(+) 0.6	
Uttar Pradesh	(-) 4.5	..	(-) 4.5	
West Bengal	(-) 3.8	—	(-) 3.8	
Jammu and Kashmir	(+) 0.9	—	(+) 0.9	
	(-) 9.5	8.6	(-) 1.7	

* Out of the yield of Rs. 3.0 crores from additional taxation a sum of Rs. 0.8 crores is proposed to be transferred to the State Road Fund. Thus Rs. 2.2 crores would be available to the State Government on revenue account.

** Receipt of Rs. 3.5 crores from sale of securities shown in the States revenue budget has been kept out of account in arriving at this figure.

IFC Investment in Brazil: Robert L. Garner, President of the International Finance Corporation, announced recently that the Corporation has reached agreement for a \$450,000 investment in D.L.R. Plasticos do Brasil, S.A., a Brazilian corporation, for expansion of manufacturing operations. D.L.R. is owned entirely by Brazilian interests; Mr. Vicente de Paula Ribeiro, representing the principal stockholding group, is president of the company. D.L.R. was organised in 1946 and has been engaged in the manufacture of a wide variety of molded plastics, such as parts for telephones, elevators and home appliances. With the prospect of a rapidly growing automotive manufacturing industry in Brazil, D.L.R. decided four years ago to expand its operations to include the manufacture of various automotive parts. In 1956, D.L.R. started manufacturing brake linings under a licensing agreement with the Bendix Aviation Corporation of Detroit, Michigan. D.L.R. is now undertaking a further expansion of its manufacturing activities in the automotive parts field.

I.F.C.'s investment will finance the expansion of plant facilities and the purchase of new equipment to increase the production of automotive brake linings and to start the manufacture of two new products — clutch facings and steering wheels. Related to this expansion, two additional licensing agreements have been signed by D.L.R. — one with the Russell Manufacturing Company of Middletown, Connecticut to manufacture clutch facings; and a second with the Sheller Manufacturing Company of Chicago, Illinois to manufacture steering wheels. Upon completion of its expansion programme, D.L.R. will be in a position to make a substantial contribution to the important automotive manufacturing development which is going forward in Brazil. I.F.C.'s investment of \$450,000 will be in Notes bearing interest at 7 per cent per annum. The Notes will mature between 1961 and 1968 and may be redeemed at any time at par. The Corporation also received "Partes Beneficiaries," a kind of security peculiar to the corporation law of Brazil, which, in this case, entitle the holder to 10 per cent of the annual net profits of the company, and which, at the option of the holder during a period of 10 years, may be redeemed in cruzeiros for a total amount equivalent to 10 per cent of the par value of the present outstanding capital stock of the company, or converted into an amount of stock equivalent to 10 per cent of the par value of the present outstanding capital stock of D.L.R.

GENERAL

Spices Research Station to be set up at Coorg: A proposal to set up a spices research station at Coorg, Mysore, was accepted by the Central Spices and Cashew-nut Committee, which met recently. The station will maintain a world collection of spices of commercial and scientific value. It is also proposed to conduct a survey of spice-growing areas of the country, and to implement crop improvement programmes, including investigation in the use of manures, hybridisation, pests and disease control. The station will be under the administrative control of the Mysore Government, while the Indian Council of Agricultural Research will exercise technical control and meet the entire recurring expenditure. The location of the station at Coorg is considered ideal, since it is close to spice-growing areas in Mysore, Madras and Kerala. The vast stretches of Malnad area surrounding Coorg, at present unexplored, would provide good facilities for rapid exploitation of the results of research and enable expansion of area under the spices crops. In view of the steadily falling prices of Indian pepper, due to competition in the world market, it was felt that intensive propaganda should be undertaken to explore new foreign markets. For popularising manurial and other healthy agricultural practices in cultivation of spices, the Committee also urged the States to arrange for fertiliser demonstrations. Mysore was asked to hold such demonstrations on pepper, Kerala on pepper and ginger, and Orissa and Andhra Pradesh on turmeric.

*

Rules for Motorised Fishing Vessels: The Government of India has set up an 'ad hoc' fisheries inquiry committee under the chairmanship of Shri Krishan Chand, Joint Secretary, Union Ministry of Food and Agriculture. The committee will suggest rules for operation of motorised fishing vessels. This would help towards a solution of the difficulties of fishing industry in relation to existing regulations applicable to such vessels in the country. The members of the committee are fisheries development officers of the Union Ministry of Food and Agriculture, representatives of the Union Ministries of Law and Transport and Communications, directors of fisheries of Bombay and Kerala Governments, and an FAO expert on fisheries. The committee can co-opt three more members.

NEWS IN BRIEF

INDIAN

The Rajasthan Government has sought the Reserve Bank's sanction to float a loan of Rs. 2½ crores in order to raise resources for the second Five-Year Plan.

*

In keeping with the Governments export promotion efforts, the Tea Board is understood to be intensifying its propaganda to popularise Indian tea in West European Countries.

*

The outstanding balance of the 4.5 per cent Rupee loan 1958-68 is repayable on June 1 and no interest will accrue thereon from that date.

*

Export of salt from India during the past three years has earned substantial foreign exchange. In 1957 exports amounted to nearly 12 million maunds.

*

A process for the production of carbon bonded graphite crucibles has been developed at the National Metallurgical Laboratory, Jamshedpur.

*

The Government of India has decided to extend free licensing of all varieties of cotton piecegoods (mill-made and power-loom) and cotton manufacturers including cotton waste blankets other than restricted varieties to all permissible destinations except Nepal, Tibet, Bhutan, Sikkim and the Portuguese possessions in India for shipment up to December 31, says a press note by the Joint Chief Controller of Exports.

*

Exports of home-grown wool from India during the third quarter of 1957 amounted to 10.4 million lbs. actual weight, or 7 per cent less than in the previous quarter. This brought the cumulative total for January-September to 31 million—17 per cent up on the corresponding nine months of 1956

*

The Government of India is reconsidering the question of taking over certain State-associated banks as subsidiaries of the State Bank of India, the Finance Minister is understood to have informed the Parliamentary consultative Committee on Finance recently.

*

The Government of India has made a special release of a further quantity of one lakh tons of sugar for free sale from the 1957-58 seasons' production.

*

A comprehensive procedure for the redressal of workers grievances has been evolved by the Government of India as part of their ambitious plan to build up harmonious industrial relations in the country.

*

It is reported the three new central loans have been fully subscribed. The three new loans comprised the 3½ per cent bonds (1963), 3½ per cent National Plan Bonds 1968 (fifth series) and 4 per cent 1973 loan.

FOREIGN

The world Bank reports a net income of \$32.4 million for the nine month period ending March 31, 1958, compared with \$26.2 million for the corresponding period in 1957.

*

The Government of Paraguay has asked for \$17 million loan from the Export-Import Bank, which will mostly be required to build a road to Brazil.

*

For the first time since the autumn of 1957 a loan bearing 4½ per cent interest has appeared on the Swiss capital market, as against many 4½ per cent loans issued during the past six months.

*

A heavy balance of payments deficit for New Zealand is forecast this year. The deficit would be due to export price falls, which had occurred since the Government imposed import control.

*

A large new plant—for the manufacture of automobile spares, tooth wheels, and other automobile parts—is to be set up by Kaiser-Frazer of Haifa, in co-operation with a foreign investor.

*

A mission from the International Bank will visit Australia next month to examine plans to reconstruct the railway line from Townsville to Mount Isa.

*

The Federation of Rhodesia and Nyasaland have filed with the S.E.C. a registration statement covering a proposed issue of \$10 million bonds due May 1, 1973. These are expected to be offered to the public on or about June 10. The Federation is also negotiating with the World Bank for \$15 million loan.

*

The rise in German foreign exchange reserves continued in the week ended April 30, when they advanced by DM 111 million to DM. 23,678 million. Commitments increased by only DM. 6 million to DM. 800 million, leaving a net improvement of DM. 105 million.

*

A new income-tax structure for East Africa was announced recently in Budget Speeches to the Legislative Councils of Kenya, Uganda and Tanganyika.

*

The Number of persons at work in the Irish Republic fell sharply last year, according to provisional estimates now released by the Central Statistics Office.

*

Australia's payments gap widened further in April when exports fell to their lowest monthly level since August, 1955, apart from one abnormal month early in 1956 when shipping was held up by a water-front strike.

*

Holland's foreign trade deficit in April showed an improvement compared with April last year.

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A DELHI NOTEBOOK

INDIA'S foreign exchange situation has just begun to cause anxiety again. For some time now, the country's drawals from her sterling balances have been at a weekly rate of about Rs. 6 crores. Exports to Britain have declined by about £23 million in the first quarter of the current year as compared to last year. And as of May 9 last, the sterling balances held by the Reserve Bank of India have dipped below the statutory minimum of Rs. 200 crores to Rs. 184 crores. It is stated that this adverse turn was not anticipated two months ago. There is thus no gainsaying the fact of a renewed foreign exchange crisis. A further review of foreign exchange commitments is, therefore, under way at the Government level. It is hoped this will be done in a way that may not cause a further cut in imports of industrial raw materials and spares and thus a further slowing down of industrial production.

STEEL PROJECTS

This is some encouraging news: the first blast furnaces at Rourkela and Bhilai, according to the revised programme of construction, will be completed more or less simultaneously by the end of this calendar year. Two more blast furnaces and the open-hearth Melting Plant will be completed at Rourkela in 1959. And Bhilai will begin producing steel before the end of next year. Whether all this means that construction is according to or ahead of schedule, is not known.

The Bhilai Steelworks will draw its supplies of iron ore from mines which are being developed in Rajahara, about 50 miles from Bhilai. The ore reserves are stated to be adequate for an annual supply of about two million tons, and the mines will be worked with the help of plant and equipment supplied by the U.S.S.R. Limestone quarries, at a distance of 12 miles from Bhilai, are also to be worked with plant and equipment to be supplied by the Soviet Union. But manganese ore required for blast furnace operation will be obtained from the market. As for coal for the Bhilai Plant, it will be produced from a blend of 50 per cent Jharia, 30 per cent Bokaro and 20 per cent Korba coals.

COAL AND LIGNITE

According to the revised production programme of the National Coal Development Corporation, the target of coal output by 1960-61 is made up of 1.6 million tons from Korba, 1.5 million tons from Kathara, 1.0 million tons from the Central Indian coalfields, 5.0 million tons from Karanpura, 0.5 million tons from Balanda (Orissa), 0.5 million tons from Kotma (Central India) and 0.5 million tons from expansion of existing State collieries — accounting for a total of 10.6 million tons.

The latest available information shows that the Neiveli Lignite Project which envisages the mining of 3.5 million tons of lignite is not progressing fast enough. It is stated that as against a total volume of 27 million cubic yards of overburden to be removed, before the lignite is exposed for mining by open cast method, only about 3.1 million cubic yards have been removed up to March 31, 1958. By the end of this calendar year, a further quantity of about 2.5 million cubic yards will be removed. Although the tempo of overburden removal will increase from March 1959, it is doubtful if full production of lignite at the annual rate of 3.5 million tons will commence by the end of 1961 according to schedule. However, small quantities will begin to be mined by the middle of 1960.

OTHER PUBLIC SECTOR PROJECTS

The thermal power station, to be installed at Neiveli with the Soviet credit, is expected to go into

full operation only by the end of 1961. But early that year, in January, the first unit of 50 M.W. capacity is expected to be commissioned. The fertiliser plant to be set up at Neiveli for producing 152,000 tons of urea, containing 70,000 tons of nitrogen, per annum appears to have been assigned a lower priority now in view of foreign exchange scarcity.

It is learnt that negotiations are under way in London to conclude a deferred payment agreement, covering 8 years for repayment, with the Associated Electrical Industries for supply of Rs. 4.5 crores' worth of machinery for the first phase of the Bhopal Heavy Electrical Project in the public sector. Machinery worth Rs. 60 lakhs, it is stated, can be purchased locally for the first phase.

The British team of engineers which visited India last year to advise the Government of India on the site and layout of a new shipyard has submitted its report. Five possible sites have been chosen by the team for locating the shipyard. The shipyard, proposed by the team, will have a dry dock for holding a vessel up to 850 ft. long and with a beam of 120 ft. There will be two twin shipways, 900 ft. by 120 ft. for holding four ships of up to 12,000 tons deadweight or for building one large vessel of about 60,000 tons deadweight. The Ernakulam site in Cochin is considered most suitable for locating the shipyard.

OTHER SECTORS

It is reported that the Allahabad High Court has just issued an interim injunction restraining Mr. Haridas Mundhra and six other directors of the British India Corporation, Kanpur, from acting as directors of the Corporation and from dealing with its assets and those of its subsidiary companies. The B.I.C. has also been restrained from doing anything prejudicial or detrimental to the interests of the petitioner, the Life Insurance Corporation of India. This interim order has been passed pending the hearing on the L.I.C.'s application praying for the appointment of a special officer to take charge of the assets, management and affairs of the B.I.C. It may be recalled that the L.I.C. holds 747,513 fully paid-up ordinary shares of Rs. 5 each and 1,485 preference shares of Rs. 100 each in the British India Corporation.

The scheme for establishing new sugar factories as co-operative units does not appear to be going well. Of the 50 co-operative sugar factories proposed for the first and the second Plan periods, licences have been issued for 39. Of the latter, 12 are in production and three are expected to start working soon. Twelve other units have placed orders for machinery but have not secured the required foreign exchange yet. And the remaining twelve units have neither foreign exchange nor rupee resources.

India's exports to the United Kingdom were valued at £55.4 million in the first quarter of 1957; they were only £32.3 million in the first quarter of 1958. India's imports from the United Kingdom were valued at £47.9 million in the first quarter of 1957 and £40.0 million in the first quarter of 1958.

It is learnt negotiations are under way for a rupee agreement between India and China to facilitate speedy exports of Indian merchandise like chrome ore, tobacco, pepper, shellac and Hindustan machine tools and of imports of Chinese goods like caustic soda and soda ash, newsprint and certain machine-tools.

Mr. Satish Chandra, Deputy Minister for Commerce, is leaving shortly for Russia and Eastern Europe on a mission to promote Indian exports.

Special Article

NON-DEVELOPMENT EXPENDITURE—CENTRE AND STATES

THE purpose of this special article is to estimate the extent to which non-development outlay of the Central and State Governments in the period from 1951-52 — the beginning of the first Five-Year Plan — has affected rupee resources in general. Table I sums up the position of development and non-development expenditure so far as the Centre and States together are concerned. It will be seen that non-development expenditure has risen from Rs. 309.84 crores to Rs. 492.99 crores. So far as the Centre is concerned, it has risen from Rs. 113.37 crores to Rs. 181.69 crores (a rise of 60 per cent) and the States from Rs. 196.47 to Rs. 311.30 crores (a rise of 58 per cent). Most of this expenditure has been incurred on Civil Administration, Debt Services and Direct Demands on Revenue.

It is surprising that in view of the high priority of development outlay, non-development expenditure has been allowed to increase relatively uncontrolled. It may be argued that though in absolute terms there is a marked rise in non-development expenditure, as a percentage of the total outlay it has been showing a declining trend. But this is to miss an essential point. One would have thought that all the additional tax efforts of the Centre and the States were meant to meet the ambitious developmental outlay. But actually it seems to be quite different. The Planning Commission's memorandum on the Appraisal and Prospects of the second Five-Year Plan points out that taking of the Centre and the States together, the five-year yield of the additional tax measures adopted in the last three years works out at Rs. 900 crores which in itself meets fully the target of Rs. 450 crores in the Plan plus the uncovered gap of Rs. 400 crores. It goes on to add that all this tax effort has, however, not provided resources for the Plan since a large part of it has been absorbed by other demands, namely, defence,

non-development expenditure and development expenditure outside the Plan.

Here then is an admission that provides the key to the understanding of the paradox that despite increased revenues, the resources position for the fulfilment of the Plan continues to be a matter of concern. There may be a certain inevitability so far as defence expenditure is concerned, being an item outside control for overall security reasons. But the total resources that might have been released by a possible freezing of the non-development expenditure other than on defence at the 1951-52 level would be of the order of Rs. 714 crores. Of this, the Centre's share would be Rs. 271 crores and the States' share Rs. 443 crores.

The order of magnitude of these figures shows that a major element of policy must be concerned with the control of non-development expenditure. Table II gives a detailed breakdown of the development and non-development expenditure of States on Revenue account. The items under non-development expenditure which shows a marked rise since 1951-52 are those concerned with Direct Demands on Revenue, Debt Services and Civil Administration. There is justification for a rise in the Debt services, being the charge on revenue for increased capital expenditure incurred by way of loans. Similarly consequent on the rise in prices and the increase in the wage bill, expenditure on Civil Administration may also show a rising trend. Again with the imposition of new taxes, Direct Demands on Revenue may also increase because of the rise in the cost of tax collection. But even granting all these, it cannot be denied that the outlay on non-development expenditure has been disproportionate. Even allowing an increase of 25 per cent for the reasons explained, the resources that would have been otherwise released

for development expenditure would have been considerable. The Planning Commission's memorandum itself points out while discussing the resources position in the States that the budget estimates of 1957-58 showed an increase of Rs. 40 crores in non-development expenditure over the previous year's estimate and of this Rs. 17 crores was on account of debt services, Rs. 7 crores for police, Rs. 5 crores for general administration and direct demands on revenue and the rest

was distributed over a number of items.

Here is an authentic confirmation of the basic postulate made in this study. The implication is thus clear and that is that the problem of rupee resources has been largely created by the failure to check non-development expenditure suitably at a time when development expenditure was making a severe demand on total resources.

TABLE II
DEVELOPMENT AND NON-DEVELOPMENT EXPENDITURE OF STATES
(Revenue Budgets)

	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59
	(Accts.)	(Accts.)	(Accts.)	(Accts.)	(Revised)	(Budget)	(Budget)	(Budget)
(Rs. lakhs)								
DEVELOPMENT EXPENDITURE								
Education	60.30	68.95	74.81	86.38	105.04	119.93	130.50	144.11
Medical and Public Health	29.22	31.81	33.58	37.58	48.83	54.27	58.11	57.92
Agricultural, Veterinary and Co-operation	25.90	27.27	33.14	33.98	42.31	46.66	54.99	55.20
Irrigation	17.62	16.98	18.56	20.09	25.02	22.93	23.75	33.65
Electricity Schemes	4.61	5.97	5.22	5.88	7.10	9.14	12.11	12.14
Rural and Community Development Projects	32	1.95	6.69	11.17	30.51	32.97	38.05	40.19
Civil Works	40.93	48.05	44.73	53.29	70.67	59.92	56.15	52.08
Industries and Supplies	5.81	5.75	6.46	7.46	10.67	19.77	23.54	39.39
Other Expenditure (a)	11.00	10.65	11.53	12.94	16.31	21.56	29.56	37.15
Total Development Expenditure	196.21	215.38	234.71	268.77	356.46	387.15	426.85	471.83
NON-DEVELOPMENT EXPENDITURE								
Direct Demands on Revenue (b)	26.94	30.85	34.82	43.51	48.50	55.81	55.56	58.67
Debt Services (c)	8.49	9.29	12.92	14.92	18.84	23.08	36.28	39.92
Civil Administration (d)	106.65	108.19	108.53	115.65	124.50	128.04	132.23	137.50
Miscellaneous (e)	17.53	21.48	30.19	28.54	27.57	26.18	31.60	34.28
Famine	3.99	7.37	6.45	8.85	18.31	3.49	5.19	9.31
Other Expenditure (f)	32.87	36.56	34.30	31.58	32.25	30.64	29.86	31.62
Total Non-Development Expenditure	196.47	213.75	227.21	243.05	269.97	267.24	290.70	311.30
Total Expenditure	392.68	429.13	461.92	511.82	626.43	654.39	717.55	783.13

(a) Includes expenditure on miscellaneous and scientific departments, aviation, ports and pilotage. (b) Excludes forests. (c) Include appropriation for reduction or avoidance of debt. (d) Comprises general administration, administration of justice, jails and convict settlements and police. (e) Covers expenditure on displaced persons, grants and other contributions to local bodies and private parties, irrecoverable loans and advances, advanced technical training, scholarship, etc. (f) Includes pensions, stationery and printing, extraordinary charges and transfers to funds.

TABLE I
DEVELOPMENT AND NON-DEVELOPMENT EXPENDITURE
(Revenue Budgets of the States and the Centre)

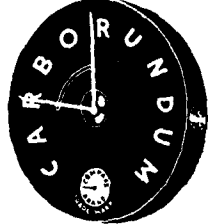
	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59
	(Accts.)	(Accts.)	(Accts.)	(Accts.)	(Accts.)	(Revised)	(Budget)	(Budget)
(Rs. Crores)								
DEVELOPMENT								
Centre	97.07	79.97	72.24	76.86	131.23	168.37	242.26	252.21
States	196.21	215.38	234.71	268.77	356.46	387.15	426.85	471.83
TOTAL	293.28	295.31	306.95	345.63	487.69	555.52	669.11	724.04
	(37.8)	(36.0)	(35.6)	(37.2)	(45.0)	(47.1)	(49.2)	(48.4)
NON-DEVELOPMENT								
Centre	113.37	131.18	142.76	152.85	152.88	152.58	147.90	181.69
States	196.47	213.75	227.21	243.05	269.97	269.24	290.70	311.30
TOTAL	309.84	344.93	369.97	395.88	422.82	419.82	438.60	492.99
	(40.1)	(42.1)	(42.9)	(42.7)	(39.0)	(35.7)	(32.2)	(33.0)
DEFENCE (Centre)	170.96	179.52	186.30	186.66	172.23	202.95	252.70	278.14
	(22.1)	(21.9)	(21.5)	(20.1)	(16.0)	(17.2)	(18.6)	(18.6)
Percentage of Non-Dev. plus Defence	(62.2)	(64.0)	(64.4)	(62.8)	(55.0)	(52.9)	(50.8)	(51.6)
TOTAL								
Centre:	381.40	390.67	401.30	416.35	457.31	523.90	642.86	712.04
States:	392.68	429.13	461.92	511.82	626.43	654.39	717.55	783.13
GRAND TOTAL	774.08	819.80	863.21	928.17	1083.74	1178.29	1360.41	1495.17

Percentages to total given in brackets.

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The Business World

SUGAR: THE CO-OPERATIVE SECTOR

THE emergence of the co-operative sector in the Indian sugar industry calls for some critical examination. It is fraught with consequences which will have a vital bearing on the development of the industry in the coming years. The expansion programme approved as part of the second Five-Year Plan places a deliberate emphasis on the establishment of co-operative sugar factories. The Planning Commission has made a decision that a total of 35 co-operative factories should be established over the plan period. Out of these, 2 were already licensed at the time the programmes of development for various industries were drawn up. The installed capacity which is intended to be allocated to the remaining 33 co-operative factories is 3.3 lakh tons out of the increased capacity of 7.6 lakh tons in the second Plan. Altogether, therefore, the Co-operative Units will account for at least 45 per cent of the additional capacity to be created. If this goal is achieved, the co-operative sector will obtain a share of 13.3 per cent in the total targeted capacity at the end of the present Plan. Sanctions for co-operative factories are granted on the basis of schemes finalised with the approval of the State Governments. Projects for 22 co-operative units have been accepted whose regional distribution is important. Bombay State accounts for 14 units, Punjab 3, Mysore 2, while Assam, Madras and Uttar Pradesh have 1 each. If Assam and Uttar Pradesh are excluded, the States where the co-operative experiment is to be conducted represent regions on which accent in future development of the industry needs to be placed.

The development of this new sector will be a source of strength to the industry to the extent to which it will be operated on genuine co-operative principles as regards command over financial resources and factory management, keeping government intervention and influence to the minimum. If cane-growers, who are to be enabled to attain the new status of sugar manufacturers, contribute to the bulk of the financial and other resources and therefore assume effective control of management, the real objective of fostering the growth of co-operatives will be achieved. The inherent strength and future potential of the co-operatives will be conditioned by these basic features. To the extent that these features fail to be reflected in the pattern of these units, they will detract from their value as co-operatives. The resulting pattern, then, will disclose a strong State complexion as in other spheres of co-operation in India.

The financial structure of the 22 co-operative sugar factories spread over 6 States, needs to be examined in the light of these considerations. The Chairman of the Industrial Finance Corporation of India gave the break-up of the financial resources of the 22 co-operatives in his annual speech last year as follows:

	Crores
Total cost of schemes	Rs. 25.66
Out of which—	
Subscription from members	Rs. 4.23
Subscriptions from State Governments ..	Rs. 2.80
Loans from the IFC	Rs. 10.73
Cash credit from banks (mostly co-operatives for working capital)	Rs. 4.66
Deferred Payments and other sources ..	Rs. 3.74

These particulars are adequate to assess the real character of control, although further details which are not available would be of great value. It is immaterial

that the State Governments receive assistance in turn from the Central Government. The most important feature of these resources is that the cane-growers-cum-owners have contributed on their own 16.5 per cent of the total. It is true that the share capital forms a part of the total financial resources of joint stock companies. But the balance of the resources is raised by shareholders on their companies' own strength. Bulk of the resources required by the sugar co-operatives could never have been raised but for active State intervention at various stages. The largest single share of resources is provided by the IFC. The IFC loans have been guaranteed by the Central and State Governments in the ratio of 50:50. It is hardly open to question that credit for working capital and deferred payment facilities have been procured largely with State assistance. The IFC's assistance requires some closer scrutiny. It came vigorously into the picture from 1955-56. In that year, the total applications sanctioned for loans by the IFC were of the order of Rs. 15.13 crores out of which sugar co-operative factories were granted Rs. 5.5 crores or 33 per cent. Net loans granted to these units in the last accounting year, July 1956-June 1957, were Rs. 3.84 crores. The pressure of demand for loans on the IFC from credit-worthy enterprises in other industries is increasing in recent years. The Chairman has voiced a grievance that the finances allocated by the Government to it for the second Plan are far too inadequate. It is noteworthy that instead of balancing the competing claims on the merits of the applicant-enterprises and on rational priorities, the IFC has been required to invest in such a significant proportion in this experiment in co-operation.

This composition of the financial resources of these units can hardly leave any doubt to what extent they take on the character of co-operatives as such. It is not suggested in the least that State aid should be totally excluded. A moderate measure of State aid may be necessary to supplement the majority resources of the co-operatives. But the Government has made no secret of its ambition to push through the experiment in co-operation in the sugar industry. This ambition has been inspired by sentiment and not by a realistic appraisal of the tools available for co-operative enterprise on the basis of self-help as the major driving force, Mr. A. P. Jain, who has posed as an ardent enthusiast in this experiment, has often repeated his bald statement to the effect that co-operative factories have made a success of themselves in their brief span. The statistical evidence and the evidence about the operating performance of these units has seldom been provided. So far as operating performance is concerned, the situation points out in a different direction. The President of the Deccan Sugar Manufacturers' Association has emphasized that by and large these units have revealed clear signs of working that can be regarded as anything but satisfactory. It needs to be added and underscored that the State, which is rendering assistance in such a high degree and is therefore bound to keep overall control of the co-operatives, is not equipped for this function. It is time to reconsider this policy and cry a halt to further extension of the sector—a balance of 11 units remains to be set up still—to watch the working of the 22 units over a sufficient period of time before policy on this subject is revised in the right direction. To proceed headlong with the programme for co-operatives as enthusiastically drawn up may give a serious set-back to their future development and involve avoidable diversion and waste of funds in a dubious experiment.

SET-BACK TO THE RAILWAY DEVELOPMENT PLAN

THE LATEST revelations about the prospect for the allocation of funds for the railway development plan must come as a shock. They show in quite unmistakable terms that the financial allotment of Rs. 1,125 crores, originally made in the Plan for the development of the railways, is not going to be altered at all. This position has been made clear to the Railway Ministry by the Planning Commission. It will be recalled that a few months ago the Railway Minister made certain statements at a Press conference in which he stated that larger allocations were expected for the railway plan. This view was immediately contradicted by the Planning Commission. But at that time the settled position was that the railway plan would be awarded an extra Rs. 100 crores on account of price increase and another Rs. 100 crores to raise the target of additional goods traffic capacity from 42 million tons to 61 million tons. It is now stated that even this additional amount of Rs. 200 crores will not be available.

The latest position about funds for railway development, therefore, amounts to this that the railways will have to rest content with a total allocation of Rs. 1,125 crores. This is the original figure. But if due account is taken of price inflation, the real resources placed at the disposal of the railways are reduced. How the reduction is to be made is indicated in a broad way. The railways have been told that the target for the additional freight traffic capacity is to be retained at 42 million tons and not at the once-enhanced figure of 61 million tons. Mr. S. V. Ramaswamy, Deputy Minister for Railways, disclosed at a Press conference in Madras last week that a 10 per cent cut would be applied to the foreign exchange allocation as envisaged in the Plan. This allocation amounts to Rs. 425 crores. In effect, the reduction in the foreign exchange for the railways will be between Rs. 40 and Rs. 45 crores.

It is extremely unlikely that the Planning Commission would have made this decision as a tentative decision. It would appear that this is the Commission's final estimate of resources to be given to the railways. If this inference is correct, it signifies that a drastic pruning will have to be made in the physical targets of the railway plan. In so far as the retention of the target of 42 million tons of additional freight traffic capacity is concerned, it is argued that the situation has now changed substantially. This target will not show a shortfall as high as 19 million tons as originally estimated, because there will be shortfalls in the demands of the programmes of development for transport capacity all round. The cut in foreign exchange will fall heavily on the programme of electrification, particularly in Bombay and Madras States. The electrification on the Calcutta suburban line will be modest, but it will have to be given high priority because steam locomotion has reached the saturation point there. It is difficult to be positive about other casualties in the railway development programmes.

This unhappy position cannot be considered to end with the railway plan alone. Even with a slightly reduced pressure of traffic, it cannot be denied that the total requirements of transport during the Plan cannot be under-estimated. Since motor transport would require a smaller investment than the railways, a prompt decision ought to be taken on its accelerated expansion.

BREAK-UP OF LOAN SUBSCRIPTIONS

WHEN THE announcement of the flotation of the three Central loans was made, nobody had any doubt what-

soever that this year's loan issue would be a complete success. It is already known that the lists were closed at 12 noon on the third day. A break-up of the subscriptions is now available. It reveals encouraging trends. There will be a good response to the loans that are soon to be floated by the State Governments.

It is noteworthy that conversions amounted to only Rs. 9.47 crores. If this element of conversion is deducted from the total subscriptions of Rs. 141.37 crores, the balance of Rs. 132.40 crores represents the massive element of cash subscriptions. Their break-up in terms of the three loans was according to market expectations. The details show that the short-dated 3½ per cent bonds 1963 secured a total subscription of Rs. 58.06 crores. The medium-dated 3½ per cent National Plan bonds 1968 got Rs. 34.34 crores, while the long-dated 4 per cent loan 1973 netted in Rs. 49.47 crores. The timing of the loans coincided with the onset of the slack season. Even otherwise, conditions in the money market were quite comfortable. It is common knowledge that this year the demand for bank advances was very much low in relation to the spectacular increase in the deposits of banks. Banks generally show a preference for investment in short-dated government securities. This time it is believed that much the larger part of the 3½ per cent 1963 loan was taken by the banks. The main subscribers to the medium-dated and long-dated loans carrying higher interest rates of 3½ per cent and 4 per cent respectively were the Life Insurance Corporation and other institutional investors. It is believed that the banks attach importance to investment in the forthcoming State loans aggregating to Rs. 50 crores for the obvious reason that the yield will be quite attractive. The third year of the Plan marks a significant turn in the outlook for market loans. The lack of enthusiasm on the part of the investor has been turned into active response to loan issues. There are also reasonable expectations that the collections from savings are bound to improve. If these re-assuring trends continue in the remaining two years of the Plan — and there is no reason why they should not — the Planning Commission's optimism would be vindicated. It would then be quite justified to revise the loan target upwards in order to reduce the gap in the internal resources.

INTEGRATED SOCIAL SECURITY SCHEME

IT WILL be recalled that a Committee was appointed under the chairmanship of Mr. V. K. R. Menon to evolve an integrated Social Security Scheme. From the deliberations of the fifteenth Labour Ministers Conference held recently at Naini Tal, it appears that the recommendations of the Committee of integration placed before the Conference and ratified by another Committee, presided over by Mr. Abid Ali, Union Deputy Labour Minister, are to be accepted partially and not in full. The Menon Committee recommended a scheme for conversion of the existing provident funds into a statutory pension for industrial workers. The decision on the Menon Committee's main proposal, that the existing provident fund scheme be converted into an old age (or) supervisory pension scheme, is wisely deferred on account of financial liabilities involved. The Conference thought that the suggestion could be worked out provided its financial liability did not exceed 16-2/3 per cent of the wages which could be recovered as contributions from employers and workers. Apparently, it seems that the financial liability will be much more if the scheme is implemented. Under the circumstances there was no point in comparing the social security schemes of India with that of advanced countries of the West when we do not have the financial resources and the trained men to implement the much desired schemes.

The Ministers Committee recommended that for purposes of having an integrated social security scheme, the administration of the Employees State Insurance Scheme and of the Employees Provident Fund Scheme should be amalgamated. The advantage of a unified scheme is that it reduces overhead costs, and from the savings so affected a diversified set of benefits can be provided. The Committee also recommended that employers' contribution under the Employees State Insurance Scheme should be raised to four and three-quarter per cent as provided for in law and the contribution of workers and employers under the Provident Fund Scheme should be increased from 6½ per cent to 8-1/3 per cent. In so far as the recommendations of the Committee that the State Government's share of expenditure on extension of medical care to families under Employees State Insurance Scheme should be 1/3 of the total expenditure during the second Five-Year Plan is concerned, it is quite fair. The States can well afford it with increased grants under the Finance Commission's Award. What they need to do is to curb non-development expenditure. The extension of the Employees State Insurance Scheme to workers families and the extension of the Provident Fund Act applicable to all establishments employing 20 or more persons, is, of course, heartening.

It is clear that the conference paid scant attention to the full consequences of raising the employer's contribution to the provident fund from 6½ per cent to 8-1/3 per cent. The Ministers were influenced by the prospect of netting in more compulsory savings to be made available for outlay on the Plan. But this is to take a narrow, one-sided view. The enhanced rate of employer's contribution will raise the financial burden of industry which is already suffering the severe impact of a high wage and tax structure. Inroads will be made on the profit margin to a considerable extent. Thus what will happen is a transfer of funds by legal obligation to the public sector — a mere transfer and no new savings. Meantime, private industry will lose to that extent.

HIGHER COAL PRICES

A PRESS NOTE issued by the Government of India on May 19 announced that the price of coal will be increased for a period of 6 months commencing from May 17 last. There is nothing surprising in this announcement. It will be remembered that when the Labour Appellate Tribunal gave its award in the dispute over colliery wages last year, it prescribed a scheme of variable dearness allowance. The basis of the variation in the allowance was that whenever the cost of living index increased by over 10 points over the base of 102 within any half year, the dearness allowance would be increased by Rs. 4-14 in the following half year. The average cost of living index in the last period was 113. Labour, therefore, became entitled to the prescribed increase in the dearness allowance. In view of the fact that the structure of costs in the coal industry had already gone on inflating, the Government conceded the claim of the coal industry that the incidence of the higher dearness allowance should be passed on to the consumer. What will actually happen in the six-monthly period commencing from May 17 is that the price of coal will be raised by 12 annas per ton, while price of hard coke and soft coke will be raised by Re. 1 per ton.

This increase will have a direct repercussion on the fuel cost of industry and it should be remembered that coal is the most important fuel for industry. While this increase has now become inevitable, nothing is heard of the much-needed developmental increase or surcharge in the price of coal. To postpone a decision on this latter increase is to postpone a decision on how to enable the private sector to raise the finances it will require for its part of the coal expansion programme. At a time when this prospect faces the coal

industry, Government would do well to have second thoughts on its reported intention to launch the scheme of amalgamation of collieries. It will only add to the confusion in the outlook for coal.

THE TEXTILE MALAISE

IT IS astonishing that the Union Minister for Commerce and Industry, Mr. Lal Bahadur Shastri should have failed to realise the gravity of the present perilous position of the textile industry and held out the prospect of any immediate relief by way of a reduction in the excise duty, at his meeting with the cotton mill interests in Bombay last week-end. Mr. Shastri has further sought convenient refuge in the conventional device of appointing an expert body to study the problem confronting this oldest and the most important industry of the country. The nature of the problem has been discussed fully by the chairmen of cotton textile mills in their speeches at the annual meetings. The diagnosis has been made fairly correctly and the remedies in general are also now known. This time-consuming technique only indicates that the cotton textile industry which is actually reeling from the blow of the steep excise duty increase in the previous autumn must await the findings of the proposed expert body and then wait again for receiving any relief.

Now, an analysis of the causes that have led to the present unhealthy condition in the cotton mill industry reveals that the industry's trouble today is not just a superficial one, but is deep-seated. The present crisis is due to a number of factors like disequilibrium as between different varieties of cloth in the production-pattern, the decline in the purchasing power of the people following an abnormal rise in the prices of essential consumer goods, especially food grains, the crisis of confidence in the textile trade, the growing rigidity of the cost structure and the sharp increase in the excise duty on the mill cloth. Thus, it is clear that half-hearted palliatives will not go to help the industry to tide over the present crisis. "The industry", as Mr. Krishnaraj M. D. Thackersey, Vice-Chairman of the Indian Cotton Mills' Federation said, "has been firmly caught on the horns of a dilemma, namely of intrinsic fall in demand for cloth and of a rising cost structure". The principal way out of the impasse is to reduce the cost of production and make the mill-made cloth attractive in the domestic as well as the international markets and to rectify the imbalance in production. The proposed expert committee would do well to study, apart from the question of immediate relief, the long-range problems of the industry such as the question of rationalisation, wage structure etc. so that the Indian textile industry can be brought in line with the industries in the competing countries.

The first step in this direction of stimulating domestic consumption and increasing exports is to reduce further the excise duty on cloth as the recent relief is inadequate. Moreover, the two reasons put forward by the government in defence of the abnormal increase in the excise duty in September 1956 — to rectify the threatened imbalance between production and consumption and to mop up the so-called excess profits which the industry was supposed to be making have lost all significance in the context of the situation which now prevails. As the deterrent manner in which excise duties were steeply raised had very injurious effects of inhibiting consumption and mopping up improving profits to the vanishing point and reducing prices even below the December 1955 level, it is only just and proper that the duties should also be taken back to the level prevailing in the year 1955-56 when government collected Rs. 28.18 crores from the industry. Retention of the excise rates at the current level, as Mr. Thackersey said, will not benefit either the Government or the industry or the labour.

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How is this being done?

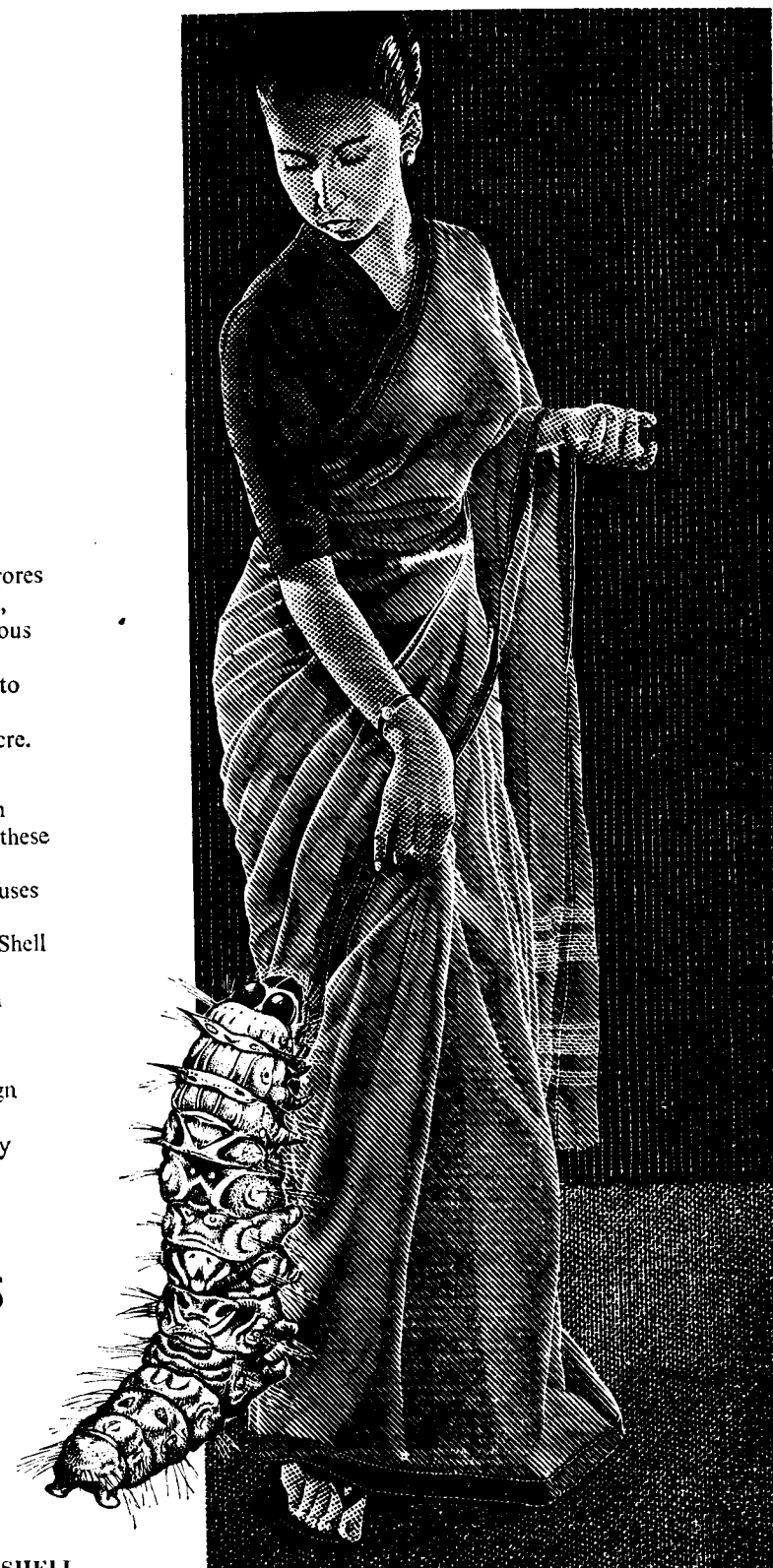
Improved seed and fertilizers, wider irrigation and the control of cotton pests and diseases—these are the main lines of attack. By far the most serious pest is the cotton bollworm, which causes a tremendous amount of damage each year. Control can be effectively achieved by using Shell endrin—a Shell petroleum chemical which, as field tests have shown, can increase cotton production by up to 40%.

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Economic Report from the U. S.

DEFENCE SPENDING

(By GUY SIMS FITCH)

WASHINGTON, May 13.—To someone who has spent years in fairly close examination of the United States economic scene, it can be disheartening to see deservedly discredited myths being resurrected. So, this writer, feels compelled once again to call to account those "experts" at home and abroad who are inclined to exaggerate — rather intemperately, at times — the role of defence spending in the U.S. economy. The fact is, of course, that U.S. Government defence programmes are based on national security requirements, and their motivation has little direct relationship to domestic economic considerations. In fact, when economists analyse the trend in defence spending, they are concerned not so much with its economic desirability as with its feasibility. The question is not how much of this non-productive effort the economy needs, but how much it can afford.

Cases in point are two recent economic studies by distinguished private research organisations — the Rockefeller Brothers Fund and the National Planning Association. Those who prepared these studies concede after careful analysis that the U.S. economy can support a defence effort of whatever magnitude world conditions require. They also concede that the economy, still in the midst of an adjustment, will be bolstered to some extent by increased defence outlays in the coming months.

The post-war record should by now have demonstrated to even the most cynical or inimical of observers that the American economy can attain rising levels of prosperity regardless of changing defence requirements. The great transition to peace after World War II accomplished with hardly a disruptive ripple, is an excellent example. And for those who would discount that achievement, there is the post-Korean war record. During the second quarter of 1953, as Korean hostilities were drawing to a close, U.S. outlays for defence totalled \$53,200 million out of a gross national product — a total output of goods and service — of \$369,300 million toward the end of that year. By the second quarter of 1955 the GNP was up to \$384,800 million and defence spending was down to \$40,000 million — indisputable testimony to the soundness of civilian economic activity. But, ask the doubters, did not the Korean emergency in effect save the United States from a serious economic recession? The answer, of course, is no; quite to the contrary, it interrupted an economic recovery that was just beginning to exhibit its potential strength. Again, let us return to the record, which is available for all to examine. In the fourth quarter of 1948 when the economic adjustment of 1949 showed signs of starting. The GNP reached an annual rate of \$267,000 million. By the second quarter of 1949 it was down to \$257,900 million, defence spending at that time was at an annual rate of \$20,500 million. The sudden Communist attack on the Republic of Korea came at the end of June 1950. But by the first quarter of 1950 the GNP has recovered to an annual rate of \$265,000 million — well above the pre-adjustment rate — while defence outlays were down to an annual rate of \$17,200 million.

Now, as then, the mainsprings of U.S. economic activity lie in civilian pursuits. Despite all the talk of increased government defence spending in the private sectors of the economy account for nearly 80 per cent

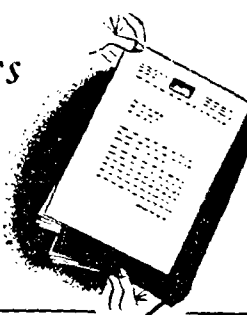
of the total output of goods and services — consumer spending for 66 per cent, business investment for 13 per cent. The U.S. Government's national security outlays of all types make up barely 10 per cent of the total, and about half of all spending by Federal State and Local Governments goes into public services and facilities to advance the welfare of the American people. Under these circumstances, defence spending can hardly be characterised as a key to any peace-time economic upsurge. The expected real recovery from the present adjustment, when it comes later this year or early next, will have its principal origins in the expansion of civilian activity, to which the free American economy is geared and dedicated.

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The sugar industry in India has an admirable performance, to its credit in the field of production. Recently the rising prices, as a consequence of the increase in the excise duty, have tended to create conditions slightly unfavourably to the growth of the industry. The Belsund Sugar Company has not been affected to any large extent, though the profit at Rs. 7.61 lakhs during the year ended September 30, 1957 shows a slight fall from Rs. 9.86 lakhs during the previous year. The sale proceeds of the company during the year under review were at Rs. 1.18 crores against Rs. 1.00 crores last year. A sum of Rs. 4,50,000 has been provided for taxation and another sum of Rs. 50,000 has been separated towards the provision of contingencies. The Directors have recommended the payment of a dividend at the rate of Rs. 1 per share of Rs. 7-8 each, which will absorb a sum of Rs. 2,59,870.

SHREE SITARAM SUGAR CO., LTD.

The working results of the company during the year ended August 31, 1957 show a gross profit of Rs. 3,03,797. After providing for debentures and other interest, depreciation and Managing Directors and Directors' remuneration, etc. there is a net profit of Rs. 79,355, which is quite low as compared to last year's net profit, which was Rs. 5,21,467. A sum of Rs. 48,000 has been set aside for income-tax and wealth tax, leaving a balance of Rs. 1,20,116 in the Profit and Loss Account including Rs. 88,761 brought forward from the previous year. The Directors of the company have decided a dividend at the rate of Rs. 0.50 nP. per Ordinary Share of Rs. 10 each, which will absorb Rs. 79,450. A sum of Rs. 40,666 has been decided to be carried forward.

THE UNITED FLOUR MILLS LTD.

The audited accounts of the company for the year ended November 30, 1957 show a profit at Rs. 5,81,293, which seems encouraging as compared to the last year's profit of Rs. 3,61,679. The provision for taxation is Rs. 4,03,640 as against Rs. 2,34,044 provided during the previous year. To the balance of Rs. 1,77,653 is added an amount of Rs. 30,475 which is the provision for taxation no longer required and Rs. 17,274 brought forward from the previous year. The Directors have declared an interim dividend of 25 per cent already paid. They have now recommended a dividend of 15

per cent payable without any deduction for income-tax by the company absorbing Rs. 75,000. After transferring Rs. 3,370 towards the development Reserve there is a credit balance to be carried forward of Rs. 22,031. The dividend of 40 per cent for the year is on a paid-up capital of Rs. 5,00,000.

MAHARASHTRA SUGAR MILLS LTD.

The working results of the Company for the year ending September 30, 1957 show a profit of Rs. 53,82,076 against Rs. 43,76,056 for the previous year. After providing Rs. 3,84,689 for depreciation of assets and Rs. 28,00,000 for taxation, the net profit for the year is Rs. 21,97,387 which together with Rs. 74,036 brought forward from the previous year, amounts to Rs. 22,71,423. The Directors have recommended a dividend of Rs. 75 per share and bonus of Rs. 25 per share, free of income-tax on 18,000 ordinary shares absorbing Rs. 18,00,000. A dividend of Rs. 17.50 per share free of income-tax on 2,000 cumulative preference shares has been declared absorbing Rs. 35,000. A sum of Rs. 4,00,000 has been transferred towards the general reserves and a balance of Rs. 36,423 has been decided to be carried forward to the next year's accounts.

The Directors have announced that the results achieved during the year under review are the highest. The working of the factory and the agricultural estate operations have been of a higher standard and efficiency than that of last year.

NATIONAL IRON AND STEEL CO., LTD.

A record of steady progress is evident from the working results of the Company for the year ended March 31, 1957. The net profit for the year amounts to Rs. 6,55,655 after providing Rs. 5,93,864 for depreciation, Rs. 1,37,081 for managing agents commission, Rs. 5,40,75 for income-tax for the year 1956-57 and Rs. 37,324 for wealth tax for the year 1956-57.

The directors have recommended the payment of a dividend at the rate of As. 10 per share free of income-tax absorbing Rs. 3,12,250. A sum of Rs. 8,28,210 will be carried over to the next year.

During the year under review One Electric Furnace of 6.5 ton capacity was installed, and considerable improvement was effected in the Steel Foundry Section of the Company.

COMMODITY NEWS AND NOTES

PRODUCTION OF MANGANESE ORE IN INDIA IN 1957

India produced 1,574,000 tons of manganese ore during 1957, according to the Indian Bureau of Mines. The three major producing States Orissa, Bombay and Madhya Pradesh accounted for 382,000 tons, 359,000 tons and 329,000 tons respectively. Among the other producing States, Mysore accounted for 262,000 and Andhra Pradesh 193,000 tons. The production in the country during the quarter ending December, 1957 was 356,000 tons. The major producing States Orissa, Bombay and Madhya Pradesh accounted respectively for 114,000 tons, 99,000 tons and 85,000 tons. The production in this quarter was higher by 46,000 tons compared to the preceding quarter.

SALT PRODUCTION

The total salt production in India—by 164 factories—during 1957 was 98.3 million maunds against 88.9 million maunds in 1956, showing an increase of about 11 per cent. This represents a fresh record of salt production in the country. Export of salt in 1957 was about 11.929 million maunds which is 43 per cent higher than in 1956 and represents the highest level of export so far reached ever since India became self-sufficient in salt in 1951-52. The quality control on salt produced in licensed factories was maintained last year and the standard of purity prescribed was 95 per cent sodium chloride. The Zonal Scheme for the distribution of salt by rail was continued to ensure even distribution and availability of salt to consumers. Except for a few cases, due mainly to transport difficulties, there were no complaints of scarcity of salt in any area in the country. Efforts continue to be made to promote and encourage co-operative enterprise amongst salt manufacturers. Six co-operative societies have been formed during the last year, two each in the Bombay, Madras and Calcutta regions. The Central Advisory Board for Salt as well as the Regional Boards were reconstituted in October, 1957, opportunity being taken to set up a new Regional Board for Rajasthan and to remodel other Regional Boards in conformity with the reorganisation of States. A Committee having official as well as non-official members has been appointed to look into the progress of development of salt industry, particularly with reference to the position of small manufacturers of salt, and allied matters such as quality control of salt and growth of co-operatives in the salt industry. A total sum of Rs. 1.9 crores has been earmarked for expenditure during the second Five-Year Plan for development of salt works, both in the public and the private sector.

AID FOR INCREASING COFFEE PRODUCTION

Applications from nearly 120 small coffee planters for assistance for extending and improving cultivation have so far been sanctioned by the Indian Coffee Board. This assistance is being provided under the Five-Year Plan for increasing the production of coffee which was launched in October 1956. The total amount sanctioned up to the end of February 1958 was about Rs. 5.4 lakhs. The assistance is being given in the form of loans to small planters whose holdings are below 50 acres. The bigger growers are being helped by higher advances against the value of the crop. A number of applications registered during 1957-58 for grant of loans are being considered for sanction. Under the Five-Year Plan for coffee, intensive cultivation measures are to be adopted to cover an area of about 1,40,000 acres and a provision of Rs. 1.35 crores has been made for grant of loans to growers. At the same time, it is proposed

to bring 23,700 acres of new land under coffee cultivation. The other measures to achieve increased production being pursued under the Five-Year Plan are supply of improved coffee seeds and establishment of co-operative pulping units. During 1956-57 the Research Department of the Coffee Board distributed improved seeds to 2,025 planters. The number of planters to whom better seeds were distributed in 1957-58 increased to 2,268. Two co-operative pulping units have been established at Mallandur and at Hosallypet in Chikmagalur District in Mysore. These pulping units will help small planters to convert their crop into parchment coffee which has a better market. Assistance is also being given to establish two more co-operative pulping units, one at Sathehally and another at Belgod in Chikmagalur District.

PRODUCTION OF LEMONGRASS OIL

India annually produces about 1,200 tons of lemongrass oil, contributing nearly 80 per cent to the world production. Lemongrass oil is a good dollar earner and in 1956-57 brought to the country Rs. 144 lakhs in foreign exchange. The total area under lemongrass in India is estimated at 40,000 acres. Of the two types of lemongrass—red-stemmed and white-stemmed—the former yields high quality oil and particular care is being taken to extend the cultivation of this variety.

SUGAR PRODUCTION AND DISPATCHES

Production and dispatches of indigenous sugar during the current season amounted to 19.11 lakh tons and 9.91 lakh tons, respectively, up to April 30, 1958, as against 18.22 lakh tons and 10.35 lakh tons respectively in the corresponding period of last year. The stocks with the factories on April 30, 1958 stood at 13.49 lakh tons as compared with 13.14 lakh tons last year.

THE RECORDS & STATISTICS (Quarterly)

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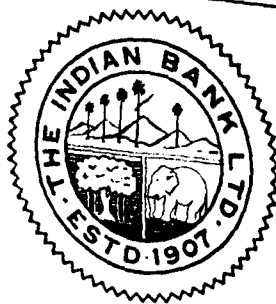
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CURRENT STATISTICS

INDEX NUMBER OF WHOLESALE PRICES (Base: 1952-53=100)

		Food articles	Liquor & Tobacco	Fuel Power Light & Lubricant	Industrial Raw materials	Manufactures			All Commodities
						Inter-mediate Products	Finished Products	Total	
1954-55	..	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.5
1955-56	..	86.6	81.0	95.0	99.1	100.1	99.6	99.7	92.4
1956-57	..	102.2	84.3	104.1	116.0	110.9	105.5	106.2	105.2
1957-58	..	106.4	94.0	113.6	116.5	107.3	108.1	107.9	108.4
October 1957	..	107.2	95.0	114.5	114.8	106.7	109.1	108.6	108.8
November	..	107.9	96.5	115.0	116.0	106.0	108.8	108.4	109.3
December	..	104.0	97.5	114.9	115.4	105.7	107.8	107.5	107.0
January 1958	..	102.5	96.4	114.6	113.6	106.7	107.8	107.7	106.0
February	..	100.8	96.7	114.8	111.1	105.8	107.7	107.4	104.6
March	..	102.3	94.9	114.5	111.3	106.8	107.7	107.6	105.4
April	..	105.2	93.4	114.6	114.1	108.8	107.9	108.0	107.4
Week Ended 29-3-1958	..	103.4	94.4	114.5	112.9	107.1	107.4	107.3	106.1
5-4-1958	..	103.8	93.4	114.5	113.6	108.4	107.7	107.8	106.6
12-4-1958	..	105.1	93.4	114.6	113.6	109.1	107.8	108.0	107.3
19-4-1958	..	105.9	93.4	114.6	115.0	109.1	108.1	108.2	108.0
26-4-1958	..	105.7	93.4	114.6	114.2	108.7	108.1	108.2	107.7

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

period	Bombay			Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934 = 100	Ahmedabad July 1927 = 100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936 = 100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	138
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	218	130	321	371	364	133	321	134	135	132
1956	336	352	244	142	347	424	397	151	356	152	146	145
1957	352	368	259	150	364	448	422	162	375	157	158	152
1957 June	352	368	259	152	371	446	423	168	373	159	156	155
July	358	374	263	152	371	459	424	165	375	159	164	155
August	359	375	265	155	375	468	427	163	373	157	166	156
September	357	373	262	149	378	464	426	160	372	156	167	157
October	356	372	260	149	375	461	429	162	375	155	166	156
November	365	383	265	148	378	457	431	165	391	156	168	157
December	365	383	257	145	375	443	432	165	390	154	166	156
1958 January	362	381	254	144	368	434	435	162	387	151	166	153
February	361	380	248	143	364	427	434	159	387	149	163	153
March	362	381	—	142	—	427	—	—	385	—	—	153*
April	—	—	—	142	—	436	—	—	384	—	—	—

† Base 1944 = 100.

* Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	9-5-1958			2-5-1958			25-4-1958			18-4-1958		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola) ..	113.94	112.50	113.52	114.72	112.50	113.83	114.62	113.22	113.87	114.12	112.81	113.46
Silver (per 100 fine tolas)	197.19	195.06	196.36	199.44	195.62	197.79	200.37	198.12	199.05	201.94	198.56	200.36

SCHEDULED BANKS

(Rs. in Lakhs)

Period (1)	LIABILITIES			Cash (Notes + Coins) (5)	Balances with Reserve Bank (6)	(5 + 6) as percent- age of (4) (7)	Advan- ces (8)	Bills Discount- ed (9)	(8 + 9) as per- centage of (4) (10)	Invest- ments in Govt. Securities in India (11)
	Demand (2)	Time (3)	Total (2 + 3) (4)							
1948-49 ..	674,56	303,88	978,44	37,51	76,63	11.07	424,85	16,44	45.10	..
1949-50 ..	597,79	272,59	870,38	34,47	65,85	11.53	426,74	15,35	50.79	..
1950-51 ..	599,13	278,45	877,59	34,68	60,78	10.88	447,03	11,87	52.29	..
1951-52 ..	593,73	290,82	884,55	37,33	57,29	10.70	523,59	22,81	63.06	303,48
1952-53 ..	546,23	309,26	855,49	33,33	51,82	9.95	461,64	38,47	60.48	306,34
1953-54 ..	526,75	328,26	855,00	31,97	44,48	8.98	442,79	51,40	59.56	321,29
1954-55 ..	559,62	351,86	911,55	32,66	53,91	9.50	468,39	84,66	60.68	339,74
1955-56 ..	608,64	407,95	1,016,59	34,64	52,52	8.69	514,37	118,08	63.02	370,71
1956-57 ..	653,34	453,92	1,107,26	36,94	50,23	7.96	626,08	155,56†	71.39	359,35
1957-58 ..	723,89	619,19	1,343,08	39,34	77,55	8.72	723,79	167,32†	66.77	385,54
<i>Average of Fridays</i>										
January 1958 ..	718,43	694,22	1,412,65	38,58	68,46	7.26	736,87	155,37†	63.16	443,62
February ..	721,05	722,68	1,443,74	38,28	70,05	7.50	773,17	155,96†	64.08	432,90
March ..	738,44	727,12	1,465,56	38,21	68,11	7.26	793,31	154,39†	64.66	438,50
April ..	772,41	758,19	1,530,60	40,74	84,14	8.26	802,60	168,73†	62.81	442,57
<i>Week Ending</i>										
28-3-1958 ..	745,25	734,50	1,479,75	37,21	67,78	7.09	805,89	156,44†	65.03	440,36
4-4-1958 ..	767,49	743,11	1,510,60	41,74	83,08	8.62	808,49	160,92†	64.17	440,56
11-4-1958 ..	774,46	757,63	1,532,09	39,92	75,89	7.56	804,51	157,70†	62.80	441,44
18-4-1958 ..	772,88	763,31	1,536,19	39,32	80,82	8.21	800,26	157,18†	62.33	443,27
25-4-1958 ..	774,80	768,70	1,543,50	41,97	90,78	8.60	797,15	159,11†	61.95	445,01
2-5-1958 ..	752,50	791,07	1,543,57	40,15	99,16	9.03	798,27	157,12†	61.90	444,06

* Undivided India.

† Including foreign bills purchased and discounted.

MONEY SUPPLY IN INDIA

(Lakhs of rupees.)

Last Friday (1)	Money supply with the public (2)=(3)+(4)	Total currency with the public (3)	Deposit money with the public			Total variations in money supply (7)
			Total (4)	Demand liabi- lities of banks (5)	Other deposits with Reserve Bank† (6)	
1952-53 ..	1,764,71	1,199,25	565,46	548,95	16,51	-39,08
1953-54 ..	1,793,97	1,229,43	564,54	549,83	14,71	+29,26
1954-55 ..	1,920,63	1,311,77	608,86	599,16	9,71	+126,65
1955-56 ..	2,184,32	1,505,09	679,23	667,22	12,01	+263,69
1956-57 ..	2,312,89	1,556,50	756,39	744,74	11,65	+128,57
April 1957 ..	2,362,37	1,586,44	775,93	762,01	12,51	+49,48
May ..	2,381,99	1,596,43	785,55	772,79	12,51	+19,62
June ..	2,344,04	1,562,85	781,19	758,55	23,55	-37,95
July ..	2,307,41	1,522,11	785,30	763,41	21,89	-36,63
August ..	2,237,92	1,490,78	747,14	735,72	11,42	-69,49
September ..	2,233,79	1,491,03	742,79	729,99	12,81	-4,10
October ..	2,279,69	1,496,90	782,79	768,23	14,56	+45,87
November ..	2,242,78	1,499,11	743,66	730,54	13,12	-36,91
December ..	2,274,92	1,526,17	748,75	732,24	16,51	+32,14
January 1958 ..	2,318,26	1,554,13	764,13	748,12	16,01	+43,34
February ..	2,329,39*	1,570,43*	758,95*	743,76*	15,20	+11,13*
March ..	2,387,41*	1,605,55*	781,86*	761,99*	19,87	+58,02*

* Provisional.

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

Source: Monthly Bulletin of Reserve Bank.

A Re-appraisal of the Second Five-Year Plan

ORIGINAL AND REVISED ALLOCATIONS

(Rs. Crores)

	Centre	Original States in- cluding Union territories	Total	Per cent of total	Centre	Revised States in- cluding Union territories	Total	Per cent of total
1. Agriculture and Community Deve- lopment	65	503	568	11.8	65	503	568	11.8
2. Irrigation and Power	105	808	913	19.0	90	770	860	17.9
3. Village and small Industries	80	120	200	4.2	60	140	200	4.2
4. Industries and Minerals	667	23	690	14.4	857	23	880	18.4
5. Transport and Communications	1203	182	1385	28.9	1175	170	1345	28.0
6. Social Services	396	549	945	19.7	321	542	863	18.0
7. Miscellaneous	43	56	99	2.0	37	47	84	1.7
TOTAL	2559	2241	4800	100.0	2605	2195	4800	100.0

ALLOCATIONS AND OUTLAYS FOR STATE PLANS

(Including Union Territories)

(Rs. Crores)

	Original Plan al- location	Per cent Revised Plan allocations with total out- lay of Rs. 4800 crores	Per cent Outlays pro- posed to corres- pond with resources	Per cent
1. Agriculture and Community Develop- ment	503	22.4	503	22.8
2. Irrigation & Power	808	36.1	788	35.7
3. Village and small Industries	120	5.4	140	6.3
4. Industries and Minerals	23	1.0	23	1.0
5. Transport and Communications	182	8.1	164	7.4
6. Social Services	549	24.5	542	24.6
7. Miscellaneous	56	2.5	47	2.1
TOTAL	2241	100.0	2207	100.0

OUTLOOK ON RESOURCES

(Rs. Crores)

	1956-57 to 1958-59	1959-60 and 1960-61	Total 1956-61 as now envis- aged	Total as in Plan
I. Budgetary Resources				
(a) Balance from current revenues	439	460	899	1200*
(b) Contribution of Railways	129	121	250	150
(c) Loans and small savings	544	500	1044	1200
(d) Unfunded debt and other capital receipts (net)	-11	80	69	250
TOTAL	1101	1161	2262	2800
II. External Assistance	438	600	1038	800
III. Deficit Financing	917	283	1200	1200
IV. Total - Resources - Outlay	2456	2044	4500	4800

* Rs. 800 crores as per original scheme plus Rs. 400 crores gap to be filled mainly, through taxation.

Source: The Planning Commission.

A Re-appraisal of the Second Five-Year Plan

PLAN OUTLAY AND ITS FINANCING IN THE FIRST TWO YEARS

(Likely Actuals)

	1956-57 (Likely Actuals)			1957-58 (Likely Actuals)			(Rs. crores)		
	Centre	States	Total	Centre	States	Total	Centre	States	Total
I. Plan Outlay	342	293	635	500	361	861	842	654	1,496
II. Domestic Resources									
(a) Balance from current revenues	140	—1	139	95	55	150	235	54	289
(b) Railways' contribution	34	—	34	45	—	45	79	—	79
(c) Loans from the public	78	63	141	63	4	72	146	67	213
(d) Small Savings	40	19	59	15	40	55	55	59	114
(e) Unfunded debt and misc. capital receipts	—11	—3	—14	—72	47	—25	—33	44	—39
Total (a+b+c+d+e)	281	78	359	151	146	297	432	224	656
III. External Assistance	38	—	38	100	—	100	138	—	138
IV. Total Resources Including External Assistance	319	78	397	251	146	397	570	224	794
V. Central Assistance	—159	159	—	—210	210	—	—369	369	—
VI. Resources after allowing for Central Assistance	160	237	397	41	356	397	201	593	794
VII. Budgetary Deficit	182	56	238	459	5	464	641	61	702

Note: Figures of Plan outlay at the Centre shown above are inclusive of outlay in Union Territories. Aggregate outlay (actual) in respect of Union Territories for these two years is estimated at Rs. 18 crores.

PLAN OUTLAY AND ITS FINANCING IN 1958-59

(Budget Estimates and Likely Actuals)

	Budget Estimates			Likely Actuals		
	Centre	States	Total	Centre	States	Total
I. Plan Outlay	608	392	1,000	582	378	960
II. Domestic Resources						
(a) Balance from current revenues	52	88	140	70	80	150
(b) Railways' Contribution	48	—	48	50	—	50
(c) Loans from the Public	125	12	137	—	—	—
(d) Small Savings	40	60	100	180	65	245
(e) Unfunded Debt and Misc. Capital Receipts	25	—2	23	—	—	—
Total (a+b+c+d+e)	290	158	448	300	145	445
III. External Assistance	325	—	325	300	—	300
IV. Total Resources Including External Assistance	615	158	773	300	—	745
V. Central Assistance	—209	209	—	—209	209	—
VI. Resources After Allowing for Central Assistance	406	367	773	391	354	745
VIII. Budgetary Deficit	202	25	227	191	24	215

Figures of Plan outlay at the Centre shown above include outlay in Union Territories. Actual outlay in respect of Union Territories is expected to turn around Rs. 12 crores.

PLAN OUTLAY AND ITS FINANCING IN THE FIRST THREE YEARS

	(Rs. crores)	
	Centre	States
I. Plan Outlay	1424*	1032
II. Domestic Resources		
(a) Balance from current revenues	305	134
(b) Railways' contribution	129	—
(c) Loans from the public small savings and other capital receipts	—	—
TOTAL (a+b+c)	298	235
III. External Assistance	732	369
IV. Total Resources Including External Assistance	438	—
V. Central Assistance	1170	369
VI. Resources After Allowing for Central Assistance	—578	578
VII. Budgetary Deficit	592	947
	832	85

* This is inclusive of outlay in respect of Union Territories estimated at Rs. 30 crores.

Source: The Planning Commission

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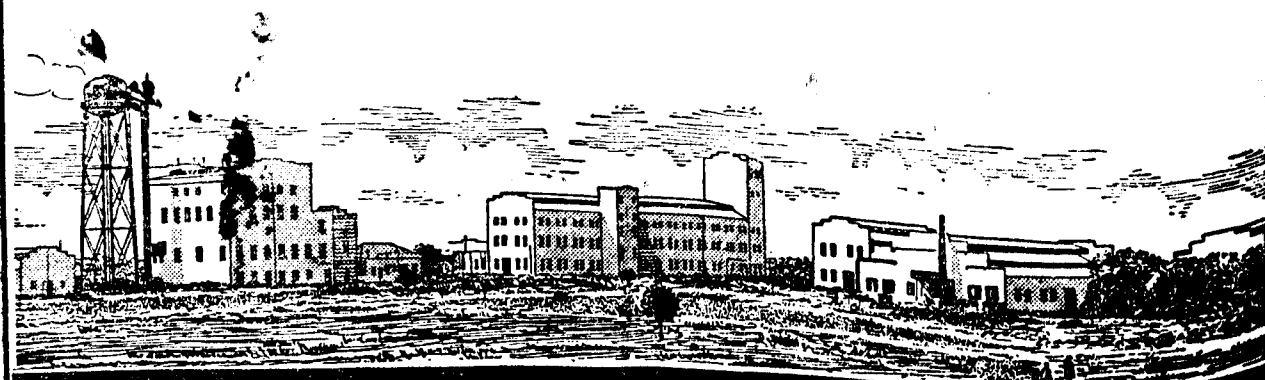
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Printed and Published by Devi Prasad Sharma at the Hindustan Times Press,
for "The Eastern Economist" Ltd., 52, Jan Path, New Delhi. Editor:—E. P. W da Costa, M. A. (0

With a Supplement
on
INDUSTRY IN THE REVISED PLAN

The Eastern Economist

VOL. XXX. NO. 22.

NEW DELHI: MAY 30, 1958.

PRICE Rs. 1.50

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The New Foreign Exchange Crisis

NEW DELHI this week has suddenly grown conscious of a new and acute foreign exchange crisis. What directed attention to this unexpected situation was the Reserve Bank of India's return of May 9, which showed foreign securities at Rs. 184.83 crores against the statutory

limit of Rs. 200 crores. The fact that the balances held abroad in that week amounted to Rs. 73.63 crores, or nearly Rs. 15 crores more than the previous week, was unnoticed. In any case the situation is serious enough; the latest return, that of May 16, shows foreign securities at only Rs. 209.68 crores and balances held abroad at Rs. 42.84 crores, meaning that India's total foreign balances are now only at the level of Rs. 250 crores. They have dropped Rs. 20 crores in a month, and there is reason to believe that, in the next five months, the rate of withdrawal might continue at this level. Against, therefore, an expectation that only about Rs. 50 crores would be withdrawn, current expectations are to the effect that, unless drastic action is immediately taken, the balances might fall by another Rs. 100 crores before the end of the year.

It is obvious that drastic action is inescapable. The word 'drastic' in this connection has always been taken to mean a further cut in civilian imports. This will involve, undoubtedly, in time a corrective of a kind, but, if past experience is any guide, this corrective has hitherto been inadequate, notwithstanding a very severe application of the routine remedy. It is obvious that India's Defence expenditure, read with India's development expenditure, contains too large a foreign exchange component for equilibrium to be sustained.

The National Development Council at its meeting this month set itself against a further cut in the Plan. This must mean, if Indian policy is to be consistent, that the foreign exchange component of non-development expenditure must

be cut. The only significant area where this can be applied is Defence. If the National Development Council wishes to save the Plan, it must forthwith insist on a cut in the foreign exchange component of Defence expenditure.

Defence expenditure, both in rupees and foreign exchange, has risen steadily and, if the current year's Defence expenditure proceeds unchecked, an insurmountable foreign exchange crisis will be thrown upon the country. It is obvious, therefore, that Defence expenditure which can possibly be deferred — and *The Eastern Economist* holds the view that all the increases of the current year and the last year were not inescapable — the situation which the country faces is grim. When the Prime Minister returns from his brief holiday on June 2, this, and not Lebanon or Algeria, should be his prime concern. It is essential before it is too late that Defence expenditure should be placed under a greatly reduced ceiling at least so far as its foreign exchange component is concerned.

The crisis which has come upon us has been the result of our pursuing contradictory policies. Both Defence expenditure and Plan expenditure have been given equal priority with the result that the total foreign exchange bill has been far beyond India's resources. It requires no elaborate arithmetic to establish the point that the reduced Plan and the enhanced Defence Budget cannot march together. It should not require, in a country with a Gandhian heritage, any great intellectual capacity to decide which needs to give way.

Agreement on Oil

THE agreement announced this week between the Oil Companies, particularly Burmah-Shell, and the Government of India, will be welcome, not only because a long and seemingly intractable difference has been so happily settled.

The Companies have agreed to reduce the price of the main petroleum products by fixed amounts under the current levels of price established by the Valued Stock Account procedure, which has regulated the movement of oil prices from time to time. For example, it amounts to a reduction of 14 naya paise per gallon of Motor Spirit and 48 naya paise per unit of 8 gallons of Kerosine and Rs. 13.91 per ton of Furnace Oil. In total, and based on the expected demand in 1958, these reductions would average about Rs. 80 lakhs per month or Rs. 10 crores per annum. They are, it would appear, partly the result of a fall in world prices over the last few months, and partly a special concession to the Government of the Indian Union. They will remain in force until a new formula has been agreed and introduced in the next six months subject only to movements in the c.i.f. price oil. These naturally depend on world economic conditions and prevailing levels of sea freight rates, whereas the concession by the Companies operating in India, and covering perhaps half of the reduction, is of more permanent effect. It is not a small thing for the Oil Companies to make concessions of nearly Rs. 5 crores per year, particularly when profits, at 6 per cent on the capital employed, were normal.

It will be remembered that, in the Lok Sabha as well as elsewhere, pointed attention has been directed to the imbalance which exists in India's

oil refineries, in that the volume of Motor Spirit or Gasoline has always been in excess of current internal demand, while that of Kerosine and High Speed Diesel Oil much below it. It was also pointed out that the possibility of export of Gasoline was small, and, therefore, an unduly high price in Motor Spirit, which prevented absorption of full supplies in the internal market, was not in the interest either of the Oil Companies or the country. If this agreement is to be neutral on Petrol prices, the Government will be hoist with its own petard. It is wholly unreasonable that the amount surrendered by the Oil Companies should be expropriated by the Government without any concession to the consumer.

The agreement reflects credit on the Oil Companies because they have made a concession which is both large and permanent. The same cannot be said of the Government of India which seems anxious to hold for itself all these windfall gains. It used the consumer to press its case; now it shows itself indifferent to him and to the argument which it used with such good effect. The agreement also marks the end of a system of price basing, the Valued Stock Account procedure, which has been in force since 1948. It is probably reasonable to say that though the formula is now to be replaced with a new one, it has in fact served its purpose reasonably well over these ten years.

Its mechanism has been used in close consultation with Government and by its nature has in effect provided a cushion which has tended to level out the fluctuation of world market prices; it has also provided a margin of profit which, on the published figures of the Oil Companies, may not be excessive when considered in the context

of the economic facts of the business of providing oil. The essence of the difficulty lies in the fact that a great deal of capital is required to meet a demand which is continually expanding at a rate around 10 per cent annually. The problem is familiar to all men of business, but in the case of oil it is on an exceedingly large scale. Not only is it necessary to expand continuously the storage and distribution network, but the requirements of fluid capital for stock and outstandings present a continually mounting problem. On the figures available it is clear that the profits that have accrued have not been sufficient to meet this capital expansion, let alone the provision of refineries and other external services.

So much is evident, but the fact that in the agreement the Government will be associated in examining the economic facts of life in the distribution of oil by providing a Cost Accountant to assist in devising the new formula, is to be welcomed as it should lead to elimination of any areas of misunderstanding that remain.

The agreement provides that the new formula will be in force within six months, and is then to be applied retroactively to the first of April, the

current reductions being of an *ad hoc* nature until the new formula is agreed.

It is to be hoped that a new and closer understanding will emerge from these negotiations, as it is abundantly clear that the problems associated with the supply of oil in the past will grow rapidly more acute in the future. The progressive industrialisation of the country will depend in great measure on the financial resources available, and the history of development of the second Plan shows that the necessity for external assistance has, if anything, been underestimated. Additionally, industrial and social advance itself demands rapidly rising availability of fuel supplies and particularly oil, and it is evident that India will need all the organisational and technical skill together with financial resources, which can be made available through co-operation and understanding.

It is in this context, that the already long established connection between the Government, the country and the Companies should be preserved on a satisfactory basis and it is to be hoped that the new agreement will strengthen this understanding.

The Kerala Education Bill

LAST week the Supreme Court gave its opinion on some of the clauses of the Kerala Education Bill. It held that Clause 3(5) of the Bill violated Article 30(1) of the Constitution. This Clause relates to the establishment and recognition of schools in so far as it subjects educational institutions to certain regulations contained in Clauses 14, 15 and 20 of the Bill. Article 30(1), it may be remembered, gives minorities the right to establish and administer educational institutions "of their choice". The Bill had been referred to the Supreme Court by the President for its opinion on the Constitutional validity of some of its provisions. These provisions had raised grave apprehensions among the minorities. The Bill had been reserved by the Governor of Kerala for the President's consideration. That the reference to the Supreme Court was not unjustified is made clear from the Court's observations. The reference to the Supreme Court has, moreover, obviated unnecessary judicial controversies. For all practical purposes, its opinion is a judicial decision.

Four questions had been referred by the President to the Supreme Court for opinion. The main disputed point, however, was the extent of the right of the minorities to establish and administer schools of their choice and the Government's inherent power to control them. In the Court's opinion Clause 3(3), which empowers Government to deny recognition to a new school or higher classes in any private school unless it fulfils conditions laid down in the Bill, violated the right granted to the Anglo-Indian community under Articles 30(1) and 337 of the Constitution to establish and administer their own schools. The Court also expressed the opinion that Clause 3(5), with regard to other minorities, entitled to 3(5), also offended Article 30(1). For yet another reason Clause 3(5) was considered unconstitutional (with one dissenting voice): it "pre-emptorily" provides that no fee shall be payable by any pupil for any tuition in new primary schools. If the Bill becomes law, the Court observed, these schools will have to forgo this fruitful source of income without any provision for

counter-balancing the loss of income. Doubtless, the rate of fees charged in the primary classes is low; but the overall amount collected from students attending primary classes is considerable and forms an appreciable part of the total income of the school. The Supreme Court, therefore, correctly observed that "to deny recognition to educational institutions except upon terms tantamount to the surrender of their constitutional rights of administration of educational institutions of their choice is in truth and in effect to deprive them of their rights under Article 30(1)... Surrender of fundamental right cannot be exacted as price of aid doled out by the State."

The Supreme Court commented that the Bill contained many provisions imposing considerable State control over the management of educational institutions in the State, aided or recognized. The provisions, in so far as they affected the aided institutions, were "much more stringent than those which applied only to recognized institutions". In this connection, the Court specifically referred to the provisions relating to the appointment and dismissal of teachers and payment of salaries as "serious inroads on the right of administration". Similarly, it said, Clause 14 (taking over the management of schools) and Clause 15 (power to acquire any category of schools) in the Bill are also "totally destructive of the rights under Article 30(1) of the Constitution". In spite of the fact that these provisions could be cruel instruments in the hands of the Government, the Court has held them permissible. The Court is, after all, not concerned with the failings, if any, of the Bill, but only with its constitutional validity.

Mr. Joseph Mundassery, Kerala's Minister for Education, has emphatically remarked that Clause 3(5), now felt to be offending Article 30(1) of the Constitution, "does not affect the scheme of the Bill. Even its deletion would do no harm to the purposes of the Bill". He does not seem to be aware of the fact that ramifications and implications of the Supreme Court's opinion lie beyond the single clause which is considered to have violated the Constitution. The clause has,

indeed, necessitated a major revision of the concept and structure of the Bill. If the Government of Kerala is sincere in professing that it wishes only to improve the organisation of education and the lot of teachers, then it should try to allay the

apprehensions of certain minorities in the State. Concern for religious and linguistic minorities is a cherished and cardinal principle of our Constitution and as such should not be made subservient to political exigencies.

The Closures and the Cure

THE most important issue, and at any rate the only one which was invested with a sense of immediate urgency, before the Indian Labour Conference at its sixteenth session held at Nainital on May 19 and 20 last was the crisis of closure in the cotton textile industry. Closure is taking three forms with varying degrees of impact on employment. Some mills have been completely closed down, others are on the brink of total closure, while in a large number of units the third shift has been closed. It is the closures of the first two categories which have caused great concern. The crisis has taken a grave turn in two manufacturing centres—Kanpur and Indore. How did the Nainital Conference attempt to face the challenge of the situation? It thundered that drastic action must be taken against the managements of mills actually closed down and preventive deterrents must be applied to those about to close. It has urged that the Government should take over the management of such mills until they are transferred to new ones. This outburst of peremptory action is inspired by the notion that the crisis of closure or imminent closure owes its emergence, by and large, to mismanagement or incompetence.

Mismanagement has a marginal area of operation. It is by no means a concomitant of the private sector. It exists, in a greater degree, in the public sector as substantiated by the findings of the Estimates Committee and the Public Accounts Committee of the Lok Sabha in their successive reports. But to lose perspective and to magnify the existence of mismanagement is not only to distort the situation but to make the application of correct remedies difficult. Spokesmen of the Indian National Trade Union Congress and the All-India Trade Union Congress levelled wild charges against mill managements of manipulation of accounts, fraud and misuse of closures as high pressure tactics to wring concessions in taxation. Obviously, they aimed at strengthening the case for direct and immediate intervention of the Government in the managements. But the advocates of assumption of control of the units by the State did not care to consider how the change would ensure stable production and employment. Obviously, the assumption is that this result would follow *ipso facto*.

But even this assumption is considerably weakened by the statutory remedy which the Conference seeks. It has put in a strong plea for amendment of the existing company law to expedite proceedings in liquidation with the definite object of facilitating transfer to new ownership, where such transfer is the only permanent solution to mismanagement. This demand has been stretched to the extreme of asking for sale or auction of the property of the undertaking before liquidation to install a new management. In the interim period the Government is to retain control of the units as a caretaker. The latitude desired to be conferred on the caretaker regime is noteworthy, although it is described as a stop-gap arrangement. The stop-gap arrangement, intended to

operate as a relief against unemployment, is to be worked on conditions agreed upon between the Government and employees. The working of a Sholapur mill, where labour has agreed to accept a two-third wage, is cited as an appropriate precedent. The Conference has urged the establishment of an expert body to conduct enquiries into the working of individual mills under closure or threat of closure. This step only amounts to compliance with Section 15 of the Industries (Development and Regulation) Act, 1951, as a preliminary to taking over of mismanaged undertakings—undertakings whose management is technically described as detrimental to the industry or to public interest. The remaining provisions of this Section, enabling the Government to take over, have no application to the cotton textile industry in the current context.

Undoubtedly, this remedy of interim assumption of management by the Government takes many of the fundamental requisites as granted. Government does not possess the resources in management to tackle such situations. In his inaugural address at the Conference, Mr. Gulzari Lal Nanda frankly conceded that the Government has yet to build up a pool of managerial personnel. Is it believed in all earnestness that the Government can set up and develop a pool of efficient managers, ready to take over any type of unit in any industry and operate it successfully, particularly when its affairs are in a bad state? The unit concerned has no legal remedy under this Act to claim compensation against losses resulting from *bona fide* acts of such a managing organisation, whether it consists of government employees or its appointees. How far the substitute management will provide a change for the better, or the reverse of it, will be a matter for experience in each case.

The problem of closure cannot be regarded, by any stretch of reasoning, to have been tackled by touching merely the marginal area of mismanaged mills. Outside this margin lie numerous units which are facing complete or partial closure. The volume of their employment and the magnitude of their production ordain that all measures ought to be taken to help them tide over the current crisis. The conference was not unmindful of the existence of this large sector either actually in the grip or about to be in the grip of imminent closure. But it has betrayed vacillation in coming out firmly in vindication of measures of prompt assistance to units of this majority category. At the present time, their difficulties spring largely from an unbalanced production-pattern with lopsided stress on the manufacture of coarse varieties, a marked shift in consumer preference, shortage of working capital due to sluggish stock clearance and capital for modernisation to rationalise the structure of costs. It is plain that this array of tasks will admit of few short cuts. But a technical plan of concerted action, extending from moderate rationalisation to marketing research, will need to be launched with the industry's own, as well external, resources.

THE WEEK'S NOTES

WRONG AND OBJECTIONABLE

AS A "verdict" the Congress Parliamentary Board's handling of the charges levelled against Mr. Pratap Singh Kairon, Chief Minister of the Punjab, is unedifying. If, on the one hand, the Board eulogized him for "personal integrity and complete freedom from communal bias" during a long career of public service, it has, on the other, held him "constructively responsible" for certain improprieties involving members of his family and his associates. It has found him "guilty" of by-passing "normal administrative procedures". Again, while the Board has rejected Mr. Kairon's offer to relinquish the office of the Chief Minister, it has asked him to seek a vote of confidence. Inasmuch as the charges had been levelled by a rival group in the Punjab Congress organization, the outcome of the vote of confidence is not likely to clear the air. Whoever may come to hold that office, he will have at every step a large body of disaffected legislators to contend with. Thus, the Congress Parliamentary Board, by shifting the responsibility to the State legislators under the pretext of following democratic procedure, has just shirked an unpleasant issue.

If the future course of action suggested by the Congress Parliamentary Board is wrong, its decision to shelve the "allegations" is objectionable. As there was a 'prima facie' case against Mr. Kairon, it would have been better if a judicial inquiry had been ordered. After all, it is only a court which can call for witnesses and official files and examine them to determine the extent to which the "admitted" irregularities impugned the integrity of Mr. Kairon and his colleagues. Besides, such an inquiry would have given Mr. Kairon an opportunity to prove his integrity and forced his opponents to substantiate their charges or suffer the consequences of flippancy or calculated viciousness. As it is, the situation remains as complicated as before. This is neither fair to Mr. Kairon, nor to his opponents, nor to the people of the Punjab. Again, it is the continuance of such doubts that is slowly but steadily eating into the massive popularity of the Congress. Even in its enlightened self-interest the Congress Parliamentary Board ought to have paid heed to the principle laid down by the Lynsky Tribunal in Britain. The Tribunal had held that as Ministers had certain obligations over and above those of the common citizen, it was their duty to see that their friends did not make use of their friendship or association with them to make unlawful gains. In the present case, Mr. Kairon's conduct was not above board. He should, therefore, have been asked to resign and face a judicial inquiry.

A TALE ON COMPANIES

THE RECENT correspondence that has been released between the Secretary-General of the Federation of Indian Chambers of Commerce and Industry and the Commerce and Industry Ministry on the working of the Companies Act is full of interest. What undoubtedly emerges is the fact that during 1956-57 it has not been possible for the private corporate sector either to maintain the rate of new company floatations or to secure funds from the organized capital market. This the report amply bears out. Thus in the latest year, 848 new companies were registered as against 1448 in 1955-56 and 1203 in 1954-55. There can be little doubt, as the Federation has pointed out, that the stringency and the restrictions of the new law and its cumbersome and complicated provisions have not a little been responsible for the setback in new company formation. Government have, however, contended that it is not possible to establish satisfactorily as to what extent the provisions of the new Companies Act have contributed to

the decrease in the number of new registrations because of the impact of many other economic factors of deeper and wider significance. It is pointed out later that from the tentative figures available, the number of new registrations in 1957-58 has been higher as compared to 1956-57. There seems to be some contradiction in Government hoping for a continuing trend in the increase and at the same time expressing the view that the number of new registrations will perhaps not always be as good a guide to the state of corporate activity in the private sector as the amount of capital raised by the joint stock companies.

This is to take a complacent view. In 1947-48, new registrations were 3,267. In 1956-57, they were 848 which represents a decline by about one-fourth. The authorised capital in 1947-48 was Rs. 284 crores. In 1956-57 it was Rs. 211 crores. These figures speak for themselves. The Federation has rightly pointed out that much should not be read into the increase in the figure of authorised capital which show Rs. 211 crores as compared to Rs. 157 crores in 1955-56. This increase, it says, is mainly accounted for by 13 Government companies with a total authorised capital of Rs. 120 crores and the amount of paid-up capital actually raised by the new companies during the latest year was only Rs. 13 crores. It is not of course a gratifying trend. But as the Federation has pointed out this trend only indicates the severity and stringency of the provisions of the Act. Obviously the remedy is to soften them and not to tighten them further as the report of the Companies Law Administration would seem to imply. The fundamental problem is that posed by the steady decline in corporate enterprise and it will be a bad day if in any overzealous implementation of the Company Law, the ultimate purpose of making joint stock enterprise a tool of development is forgotten. One should be wary lest one should throw the baby with the bath water.

URBAN EYESORE

THE REPORT of the Selected Buildings Projects Team on Slum Clearance has served a useful purpose in bringing into sharp focus the entire problem of the extreme shortage of housing and the menace of the spreading slums in the industrial and urban areas. It points out that housing shortage for an urban population of 61.9 million in 1951 was 2.5 million and by 1961, it is likely to be twice the figure. This should put the problem of not only new housing but also slum clearance in the proper perspective. Since the slum problem is the result of haphazard and unplanned urbanisation caused by the rapid growth of trade and industry, it is obvious that slum prevention, rehabilitation of sub-standard housing and slum improvement and slum servicing should form an integral part in a concerted drive to solve the problem of housing and prevention of urban decay.

But no attempt at tackling housing shortage and the spreading of slums will prove of any avail unless steps are taken to remove the causes that accentuate overcrowding and cause the continuous influx from the villages to the cities. The report points out that in Bombay there has been 150 per cent increase in population during the last quarter of a century while the increase in the dwellings during this period has only been 35 per cent. Thus the present accommodation is considered to be sufficient to accommodate about 15 lakhs, out of the present total of about 33 lakhs. It points out that if the rest of the city's population is to be adequately housed, it would involve construction of at least 2½ lakhs of tenements involving an expen-

diture of about Rs. 150 crores. This is indeed a colossal task.

One way of arresting this exodus would be by way of dispersal of industries away from towns. The Committee in this connection commends the example of Vallabh Vidyanagar (Anand) where it has been shown how even highly technical industries such as the manufacture of prestressed concrete members could function successfully in a village. One can also draw lessons from countries like Italy and Japan which have succeeded in transforming locally available materials into products of utility, and if industries can be promoted on this basis coupled with the provision of electrical and sanitary facilities to the extent possible, it would certainly go a long way in arresting rural exodus. All this of course relates only to slum prevention and the problem of slum clearance is bound to defy any easy solution. This the Committee itself realises and lists the following as some of the major obstacles; uncertainty regarding the availability of critical materials; delay in the acquisition of lands and high rates of compensation; absence of co-ordination between the several agencies executing slum clearance schemes; unwillingness on the part of slum dwellers to move to distant places and pay higher rents and non-availability of suitable land with essential services and non-existence of agencies for a co-ordinated development of building sites. Admittedly, the provision of Rs. 20 crores for slum clearance in the second Plan is meant more as a token of Government's awareness of the problem rather than with an idea to overcome it. It means that preparations must be made from now on in formulating a detailed programme based on correct information and analysis for solving the problem at least during the third Plan.

THE SEA LAW CONFERENCE

THE UNION Law Minister, Mr. A. K. Sen, who led the Indian delegation to the Conference on the Law of the Sea held recently at Geneva, rightly observed in New Delhi last week that India's had been an important role in the deliberations of the conference. Attended by delegates from 86 member-nations and observers from West Germany, Switzerland and the United Nations Organization, the Conference deliberated on such important issues as territorial waters, pollution of high seas and deep sea fishing rights. On practically every subject India's voice was heard and heeded.

In the "Sputnik era", when land and sea are piling into insignificance, it seems rather unreal that there should have been a controversy about what the new limit of the territorial waters should be. In the beginning the Western countries and Japan seemed opposed to revising the 19th Century Convention of the three-mile limit and to the Indian suggestion for extending it to six miles. As there ensued the danger of deadlock on this important issue, the United States came out to support India's proposal. But since the resolution was passed by a bare majority it failed to attain the status of a convention which requires a two-thirds majority. The matter now goes to the United Nations General Assembly. Similarly, the resolution banning pollution of high seas through nuclear explosions and the spread of radio-active waste failed to receive support from two-thirds of the members. But there again, fortunately, the Conference accepted unanimously the Indian resolution suggesting that the matter be referred to the United Nations, for, as Mr. Sen put it, the question was "more a political matter than a legal one". There was also a distinct gain for underdeveloped countries in the extension of fishing zone by another six miles. This has become important especially in view of the advances in the techniques for exploiting the sub-soil resources like oil and conservation of fishery resources. In this matter too India's has been a very constructive contribution. From this country's point of view most important has

been the unanimous approval of a resolution on the right of access to the sea of land-locked countries. The resolution accepted India's proposition that the right could only be enjoyed through an agreement arrived at between the countries concerned. This is significant if we remember that Portugal had claimed that right in its complaint to the International Court of Justice against India. Strangely enough, Portugal did not press its extreme view on the subject at the conference.

THE PASSING AWAY OF INDIAN GIBBON

IN THE death last week of Sir Jadunath Sarkar, known as the "Gibbon of India", this country has lost one of its foremost historians. A reputed authority on the Moghul Period of Indian history, Sir Jadunath produced voluminous works; his mastery of detail, elegance of expression, and factual accuracy, mark him out as a class by himself. Always objective and seldom emotional, he was singularly unenthusiastic about popular prejudices. When soon after Independence, the chauvinists among us demanded the removal from public places of statues of some well-known Englishmen, he came out openly against it: "We cannot obliterate the past life of our people by merely drawing the wet sponge over one page of history". To him truth was the deity permitting worship at no dubious shrine.

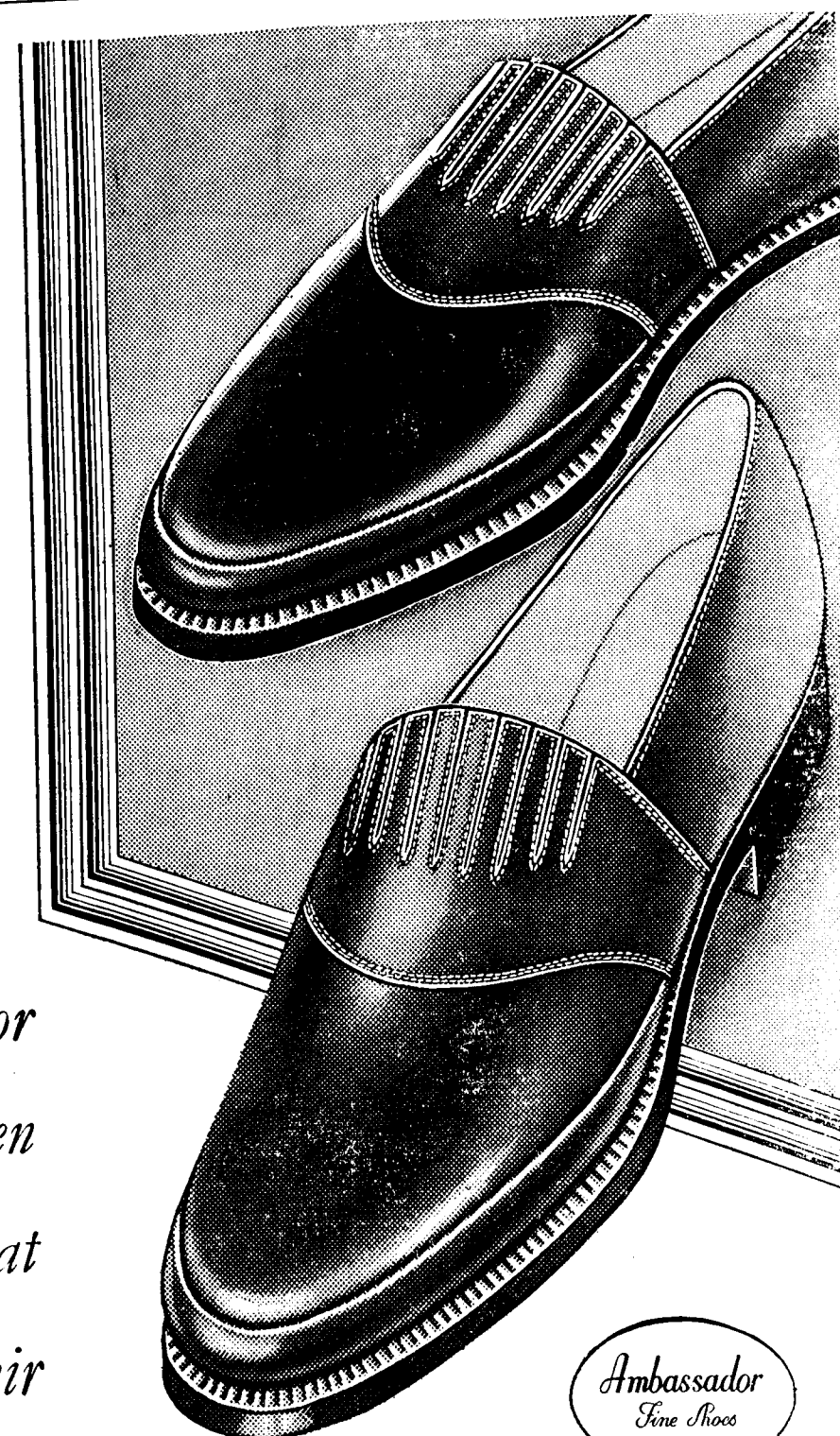
Born on December 10, 1870, Jadunath Sarkar was educated in Calcutta. In his student life there were few academic honours he failed to claim. He was the recipient of the much-coveted Premchand Roychand Scholarship. After taking his M.A. degree in English literature in 1891, he joined as a lecturer in one of the Calcutta colleges. He soon however took to writing Moghul history and learnt Persian to consult the original sources. Few professors in those days were known for research in Indian history; indeed they cared little about it. His study of the Moghuls in India, which began in 1901 with his book, "India of Aurangzeb", ended in 1950 when the fourth and last volume of his "Fall of the Moghul Empire" was published. His "History of Aurangzeb" in five volumes, written earlier, told the story of nearly half the reign of Shahjehan and the whole of Aurangzeb's. He wrote a separate work entitled "Moghul Administration". Sir Jadunath Sarkar traced "The Anecdotes of Aurangzeb" and translated it from a Persian manuscript. The "Anecdotes" contains the Emperor's pithy sayings, principles of his Government, treatment of his sons and officers, and his last will and testament. He also edited a new edition of the English version of "Ain-e-Akbari" and contributed hundreds of articles to learned journals.

Sir Jadunath's studies of the vicissitudes of the Moghuls led him to examine the history of the Marhattas whose language he learnt to do justice to his new undertaking. His works, "Shivaji and His Times" and the "House of Shivaji", are major contributions to the subject. Besides, he edited, jointly with Mr. G. S. Sardesai, in 15 volumes the reports of the British Residents with the Peshwa, Scindhia and Bhonsle, under the title "Poona Residency Correspondence". He also annotated and continued Mr. W. Irvine's "Later Moghuls" and wrote "India Through The Ages" giving in broad outline the story of the growth and development of Indian society and culture.

It is indeed true that his conception of history was confined to political events like court intrigues, wars of conquest and defence though the scope of historical studies has of late become wider. It now extends to the "people", their social and economic conditions. There is, however, no denying the fact that even in this task, the indefatigable Sir Jadunath Sarkar, the great votary of Clio, can be a perpetual source of inspiration to budding historians.



For
men
at
their
ease



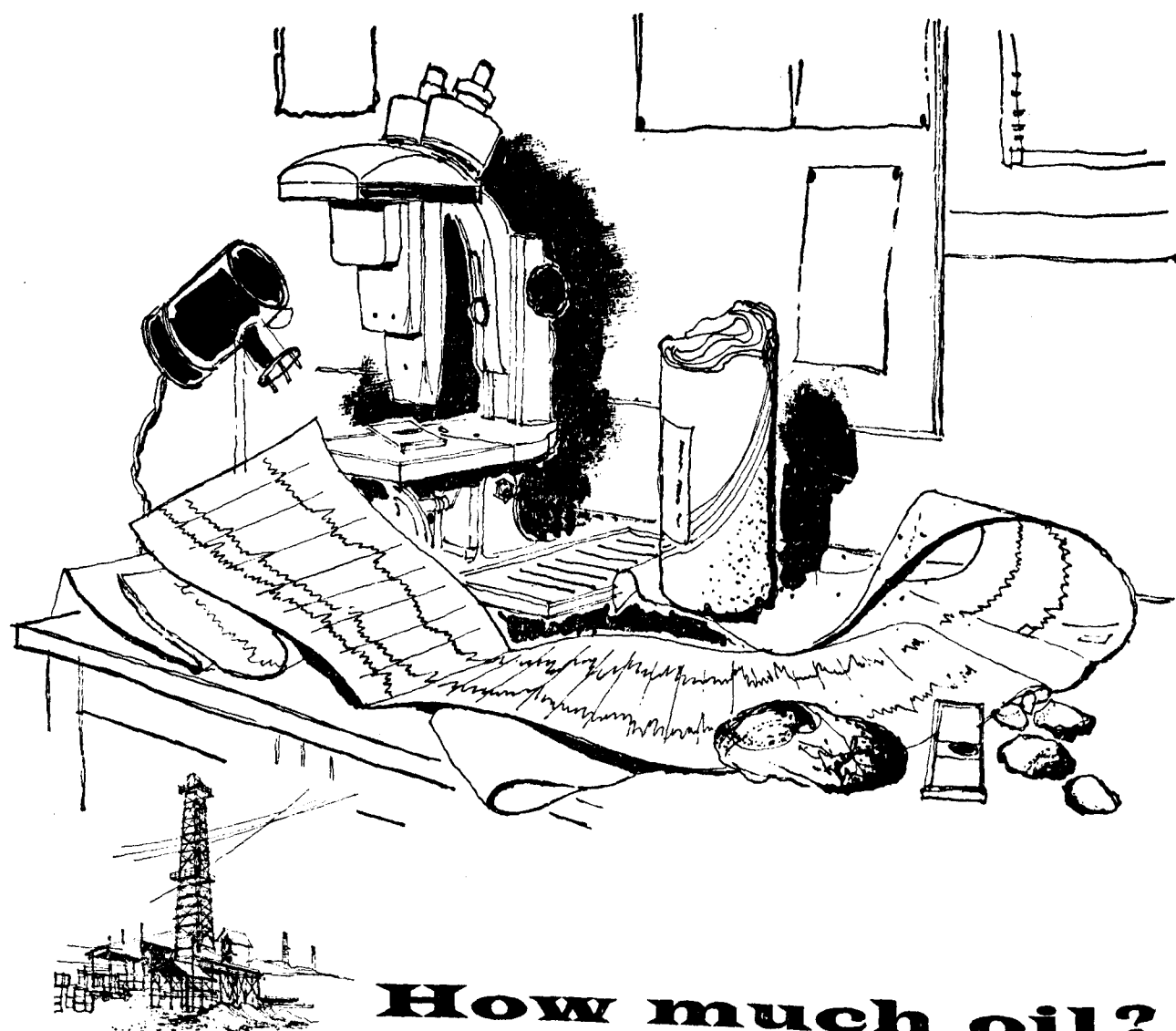
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The Story of Oil—9



How much oil?

One oil well does not make an oilfield. As soon as the first well in a new area gives proof of steady production the next step is to establish the extent of the oil accumulation in its underground trap. This is done by drilling further wells, the programme for which is based on the results of scientific surveys and tests carried out during the drilling of the discovery well.

Surveys for such "down-the-hole" information are commonly made by recording instruments lowered into the well on a cable. One instrument produces a record in the form of wavy lines on a chart which, when interpreted, confirms the nature of the rocks penetrated by the drill and shows exactly where the oil zone lies. Another instrument gives records from which the amount and direction of the

slope or dip of the rock layers can be calculated.

Tests carried out in oilfield laboratories include analyses of samples of rocks and oil recovered from the well. From rock samples it is possible to calculate how much room there is for the oil in the spaces between the grains of sand in a sandstone rock, and the amount of water associated with the oil. An analysis of a sample of crude oil gives data about its gas content and other characteristics.

With all this information to hand the development of the oil find can proceed on a planned basis, and decisions can be made on how far apart the wells should be drilled, how deep they should go, how many drilling outfits will be kept in operation, and what size of refinery will be required.



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A Window on the World

ODYSSEUS'S RIDER TO PARKINSON'S LAW

WHAT is Parkinson's Law? It is possible that many are as yet unfamiliar with Professor C. Northcote Parkinson's formulation which, since the middle of 1957, has cast new light on the problems of bureaucracy, because his thoughts have hitherto been available only to the readers of "The Economist" of London, whose editor is to be congratulated on his perspicacity in immediately recognising the importance of Parkinson's discovery.

Now, "Parkinson's Law" has been issued in book form by John Murray (price 12s 6d) and no student of public administration has any longer any excuse for failing to keep abreast of developments in bureaucratic theory.

Parkinson's Law lays down that "Work (in government offices) expands to fill the time available for its completion, and civil servants multiply at a fixed rate regardless of the volume of work produced." Ordinary citizens have assumed that a rising total of civil servants must reflect a growing volume of work. Professor Parkinson is the first economist to demonstrate that the number of officials and the quantity of work to be done are not related to each other.

Underlying Parkinson's Law are two axioms (1) "An official wants to multiply subordinates, not rivals", and (2) "Officials make work for each other".

To understand axiom (1), imagine a civil servant called A, who thinks he is overworked (whether in fact he is, or is not, is irrelevant). For this overwork, there are three possible remedies. He may resign; he may ask to halve the work with a colleague, B; he may demand the help of two subordinates, C and D. There is no recorded instance of A choosing any but the third possibility. By resignation he would lose his pension rights. By having B appointed on his own level of seniority, he would bring in a rival for promotion. So A prefers the juniors, C and D, below him. They will add to his importance and, by dividing the work into two categories (C and D), A will have the distinction of being the only man in the service who understands both categories. It is essential to grasp that C and D are inseparable. To have appointed C alone would have been impossible, because C by himself would divide the work with A and so infiltrate into the equal status that led to the rejection of the possibility of appointing B. C's status would be enhanced if he were the only possible successor to A. Subordinates must, therefore, number two or more, each being kept dependent on A by fear of the other's promotion. When, in turn, C complains of being overworked, A will advise the appointment of two assistants to help C, but he can then avert internal friction only by securing the appointment of two more assistants to help D.

Seven officials are now doing what one did before. This is explained by axiom (2). For these seven make so much work for each other that all are fully occupied and A is actually working harder than ever. An incoming document will come before each of the seven in turn. E decides that it falls within F's province. F places a draft reply before C, who drastically amends it before consulting D, who asks G to deal with it. But G now goes on leave and hands the file on to H who drafts a minute that is signed by D and returned to C, who revises his draft in accordance with the

minute and lays the new version before A. A reads through the draft conscientiously, deletes the fussy paragraphs added by C and H and finally produces the same reply that he would have written if officials C, D, E, F, G and H, had never been born. No one has been idle. All have done their best. It is late when A finally quits the office.

In support of his Law, Parkinson cites statistics from the British Admiralty, showing that in 1914 the Navy had 62 capital ships, 146,000 officers and men, administered by 2,000 Admiralty civil servants. In 1928, the Navy had only 20 capital ships and 100,000 officers and men, but civil servants had risen to 3,569. So that whereas capital ships decreased by 67.74 per cent and officers and men by 31.5 per cent, civil servants had risen by 78.45 per cent.

Professor Parkinson next explains the statistics of the Colonial Office.

Year	1935	1939	1943	1947	1954
Staff	372	450	817	1139	1661

Colonial territories did not alter much in area or population between 1935 and 1939. They were diminished by 1943 when substantial areas were in enemy hands. They increased in 1947 but are shrinking as various colonies achieve self-government. The ordinary nincompoop would suppose that these changes in the scope of Empire would be reflected in the size of its administration. But the figures show that the staff totals represent nothing but so many stages in an inevitable increase, and that this increase has nothing to do with the size — or even the existence — of the Empire. By a variety of examples Professor Parkinson establishes that the rate of annual increase in any government department averages 5.75 per cent a year.

Does Parkinson's Law apply in India? I take an example with which I have some acquaintance: in 1937, the personnel of the then Bureau of Public Information was 4 officers and 52 clerical staff, a total of 56. I do not have at hand the total personnel of today's Press Information Bureau, but excluding clerical staff, the officers should according to Parkinson's Law today total 10.85 men, whereas they actually total 57 — nearly six times more than Parkinson allows! So that today there are as many officers as there were total staff of all ranks in 1937.

But not only has the Bureau multiplied its own staff several times over, it has actually given birth to several whole new departments! This is a development unforeseen by Parkinson's Law.

In 1937, the Director of Public Information (as he was then called) with his 3 officers and 52 men, was responsible for (1) the press and public relations of all ministries of government; (2) all government publications; (3) all government photos; (4) films; (5) overseas relations and publicity; (6) cultural relations; (7) exhibitions; (8) government advertising; and other activities which I now forget. It used to do all this at a total cost to the tax-payer of less than Rs. 2 lakhs a year!

In 1940, an I.C.S. officer was appointed Director General of Information to "co-ordinate" the publicity already co-ordinated by the Bureau of Public Information. The Director General soon became Secretary to

a Ministry of Information and enhanced his importance by having A.I.R. transferred from the Communications Ministry.

The clerk in the Information Bureau who looked after Government publications was multiplied into a Publications Division, complete with Director, Deputy Director, Distribution Officer, and Administrative Officer.

The clerk who kept the files about films was multiplied into the Films Division, complete with Chief Producer (Documentaries), Officer-in-charge of Distribution, Public Relations Officer (a P.R.O. to a P.R.O. organisation is a subtlety to which I draw Parkinson's attention), Assistant Producer (Documentaries), Assistant Producer (News Reels), Administrative Officer (this official, common to all ministries — a man who administers the administrators — is a further post-Parkinson phenomenon), Senior Directors (two), Director of Music, Director of English Commentaries (Documentaries), Junior Directors (two), no fewer than five Deputy Directors, seven Camera men, Chief Recordist, Production Manager, Assistant Accounts Officer (I can see no Accounts Officer, so this man must be assisting a non-existent senior. Parkinson overlooks this phenomenon which has possibilities for an ambitious junior)! And finally five Branch Managers (Query: branches of what? Films? Or, perhaps, trees?).

The single pre-war clerk who looked after government advertising became the Advertising Consultants Branch and was sent to Simla, in the health giving remoteness of which he blossomed into Advertising Consultant, and three Section Officers.

Thus relieved of almost all its work, the Bureau of Public Information, now modestly called the Press Information Bureau, was free to concentrate on the serious business of expansion. The last time I looked at it, the Bureau had, in place of its four 1937 officers, one Principal Information Officer, four Deputy Principal Information Officers, 14 Information Officers, one Press Facilities Officer (this reveals the creative imagination at work. The ordinary mortal would have assumed that all Press Information Officers were ipso facto Press Facilities Officers), one Campaign Officer (cam-

aigning for more staff?) one Officer-in-Charge, Photo Studio, 6 Section Officers, 1 (inevitable) Administrative Officer, 12 Assistant Information Officers, and 3 Photographers. The present Press Information Bureau has also thought up a mechanism for expansion untouched by Parkinson's researches — the branch office — and we find branches in Calcutta, Bombay, and Madras (each with their D.P.I.O.'s, I.O.'s, A.I.O.'s, and Section Officers), and, last but not least — a branch in the Defence Ministry in New Delhi. This is genius. I look forward to the expansion of the Bureau until it has a branch office for each of Delhi's Ministries and their sub-divisions, which on a hasty computation, I reckon to be as follows:

GOVERNMENT OF INDIA

Ministries	20	Presses	5
Divisions	23	Corps	3
Directorates	44	Authorities	2
Branches	43	Laboratories	3
Offices	71	Centres	4
Institutions and Colleges	39	Councils	2
Departments	15	Bureaux	4
Stations	14	Surveys	2
Organisations	11	Projects	1
Circles (to go round in?)	11	Services	1
Commissions	9	Ice Buildings	1
Committees	9	Registrars	2
Boards	7	Custodians	1
Controllers	6	High Powered Officers (Sic!)	12
Depots	4	Unclassifiable	1
Wings	5	Cells (for Communists?)	1
Tribunals	4		
Advisers	3	Total	343

These preliminary investigations suggest that whatever the normal annual rate of increase of civil servants in India it is far above Parkinson's 5.75 per cent. Why? After reflection I believe that the factor which has escaped the pioneering Parkinson is the coefficient of conscientiousness, so that before Parkinson's Law can be applied, the local coefficient of conscientiousness should be ascertained. This is Odysseus's Rider to Parkinson's Law.

THE GENERALS AND THE MUSLIMS OF ALGIERS

(From Our Special West European Correspondent)

PARIS, May 24.

THE confused sequence of events in Paris and Algiers is still moving too quickly for one to be sure that what one writes today will still be relevant a week later at the time of publication. The complete turnaround of metropolitan opinion in the past seven days about of metropolitan opinion in the past seven days is warning of that: a week ago the French Premier was accusing unnamed generals in Algeria of insurrection and yet this week his parliamentary majority unanimously voted a motion of total confidence in the loyalty of the same generals. The most one can prophesy at the moment is that the affair seems to be moving toward a confused and hypocritical compromise, with both sides hoping that the incipient insurrection will be hushed up because neither can afford an open show-down. This conclusion could be regarded as a victory by the partisans of republican legality, because the Algerian French will have failed in their attempts to unseat the Pflimlin Ministry, suspected quite correctly of liberalism; and it could be regarded as a victory by the Algerian French because M. Pflimlin will have stayed in office only by forswearing all liberal designs, covering the faults of insubordinate generals and accepting the support of the Right whose policies he first intended to abandon.

But whatever the upshot, and even if this cautious forecast is quite belied by events, there is one fact that can neither be changed nor explained away. This is the highly curious reaction of tens of thousands of Algerian Muslims to the events of the past two weeks. A rebellion by French settlers and the regular army against the authority of Paris — that is, a revolt by the authors and the instruments of repression of the Muslims against a Ministry reputedly anxious to moderate that repression — would appear to be the last cause likely to attract the sympathy of the Arabs. On the contrary, one would have thought they would greet this with distrust and anxiety, especially since previous street riots in Algeria, either by the settlers or the parachutists, have entailed casualties among innocent and non-political Muslims. Try to imagine (as far as one can conceive the unthinkable) that in June 1947 the British Army in India had mutinied, sacked Mountbatten of its own authority, dismissed the British provincial Governors, destituted the I.C.S. of its powers and sent a message to the King that it was not going to desist from this course until Mr. Attlee had resigned or had at least taken Messrs. Churchill and Brendan Bracken into his Cabinet. What would have been the reaction of the people of Delhi and Calcutta?

Well, what has been the reaction of the Algerian Arabs to this situation? For reasons that are yet to be made clear and in a spirit that can only be guessed at, large numbers of them have associated themselves with the demonstrations of the soldiers and settlers. The crowds that have been applauding Soustelle on the Forum of Algiers and calling for General de Gaulle have not been entirely European; far from it, some of these demonstrations have included up to 20,000 Muslims. The Committees of Public Safety set up in the Algerian capital and in many of the hinterland towns have included, or have even been headed by, Muslim notables. Figures about Muslim participation and the amount of backing these notables have in their own community have been offered by the "rebel" radio of Algiers but cannot be accepted at their face value. What is certain is that the atmosphere between the two communities seemed to change radically; isolation

and suspicion were suddenly succeeded by an apparent fraternisation. Lasting or ephemeral, superficial or sincere, this appearance of spontaneous amity has played an important role in the evolution of the present crisis. Nothing, not even the intervention of General de Gaulle, served so well to endorse the action of the dissident generals and to present the metropolis from condemning the rebellion outright.

Moreover, this feature of the troubles will continue to exert its influence in the months to come. Even if the dissidence of the Algerian French is totally reduced and the Parisian Government succeeds in restoring its full authority on the other side of the Mediterranean, the recollection of these few weeks of inter-communal unity will leave its mark on the further development of the Algerian problem. Not only that: even if it turns out that this Muslim participation in the settlers' uprising was based largely on fraud, hoax or misunderstanding, it will still leave its mark, because Algiers has had a taste, however brief, of what a life in common would be, it has seen what Algeria would look like if it were a country independent of the metropolis and inhabited by free and equal communities. That this recollection could serve to facilitate a political settlement in Algeria is quite possible. But it is equally possible that its effects could be disastrous for the French settlers; if this brief show of communal unity is succeeded by a renewal of the repression and a new division of the races, the atmosphere will be even bitterer than before.

Of two explanations offered for this extraordinary display, one loudly advertised by the French Right is downright fantastic, the other provided by the FLN is improbable or at least inadequate. The Right here has been proclaiming that the war in Algeria has ended as if by magic, the Arabs are weary of the exactions of the FLN terrorists and have rallied to their beloved France once it was clear that the French were really determined to stay in Algeria, the multitudes of Arab demonstrators acclaiming the dissident generals have been perfectly sincere and spontaneous, they do not want independence and prefer the settlers and soldiers not only to the FLN but even to the Pflimlin Government that was promising them gradual access to wider political rights, etc. etc. This is plainly romance.

It is simply inconceivable that even the most ignorant and mystified community would all of a sudden desert the independence movement it has hitherto been supporting (under whatever pressure) and "choose France;" and even if it chose France, it is quite unlikely that it would choose the France represented by the settlers that have exploited it for decades and by the parachutists of General Massu that have been bullying and torturing it for months, rather than the first Parisian Government that has come to office since the war began with the timid intention of moderating the rigours of repression. Anyhow, the Algerian French foolishly overplayed their hand by claiming that the spontaneous rallying of the Muslim population had robbed the F.L.N. of its essential support and that therefore the war was "dying out" — when it soon transpired that they had been withholding the weekly casualty figures which showed clearly that the war was still in full blaze.

However improbable, this Right-wing campaign of romance and mystification has had an immense effect in Paris. Granted that the generals and settlers of Algiers were all wrong in their interpretation of



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the mass Muslim participation in their movement, the Government in Paris simply could not outlaw them as rebels when they had succeeded in producing, for the first time in years, at least the appearance of communal amity in war-torn Algeria. If the Muslim population had reacted violently to the uprising, if it had appealed to Paris or even to the FLN, if it had suffered maltreatment from the dissidents, or even if it had cowered suspiciously and distrustfully in the Casbah, the dissident movement would have been snuffed out by this, and would certainly never have received even a shadow of approbation from General de Gaulle.

The official explanation offered by the FLN is scarcely more convincing; it is first necessary to notice that it felt the need to give an explanation at all. The FLN spokesman has said that these demonstrations by the Muslims are the result of pure and simple force: Arabs are being herded into trucks by violence, dumped on the Forum and instructed to wave tricolour flags and shout "Algeria is French", or else..... But this will not wash. Tens of thousands of demonstrators cannot thus be organised all over the country, and impartial observers who have been cynical for years past about French showcase displays of "loyal Muslims" cannot be made to feel that this time there is something changed. Besides, the dissident settlers have been visibly surprised (and some of them obviously disturbed) by the volume of the Muslim participation.

If it lies neither in force nor loyalty, whence is an explanation for these strange events to be drawn? First, no doubt, in ignorance and a sense of relief. For two years past, the Muslim community has been roughly used and suspiciously regarded by soldiers and settlers, terrorised by the FLN, denied every form of expression

and shut up in an atmosphere of fear and oppression. Suddenly, in the cities where there is no sign of FLN power (for the rebels have lost the battle of the towns), the French community flares up in an irresponsible adventure of defiance directed at the Paris Government and invites the Muslims to join in; assured that, for once, they are not the target of the Europeans' excitement, the Muslims do join in and are ready to shout any slogan for the unaccustomed pleasure of shouting something, of feeling for a moment like real human beings and equal citizens into the bargain. Further, the Europeans, groping for leadership in their gesture of defiance, begin to call for de Gaulle, the man whose real intentions no one knows but who has remained for the African people "the man of Brazzaville", the liberator who during the war promised to convert the colonies into "the associated peoples". And — probably deepest of all — the Muslims were moved by the vague hope that somehow in this turmoil would be found a way out from the nightmare of war and terror, a way out that almost certainly would not lead to national independence but which at least led at once to a respite in communal fraternity.

That these events constitute a serious affront to the FLN is clear. But that they establish the justice of the French cause in Algeria is far from clear, least of all that they justify the dissidence of the generals and the settlers. The Muslim demonstrations of the last few weeks were not the product of force but it remains to be proved that they were not the product of an immense and tragic misunderstanding. The only thing that could prevent this misunderstanding turning to bitterness would be the accession to power of Charles de Gaulle; but the general's hour has not come yet.

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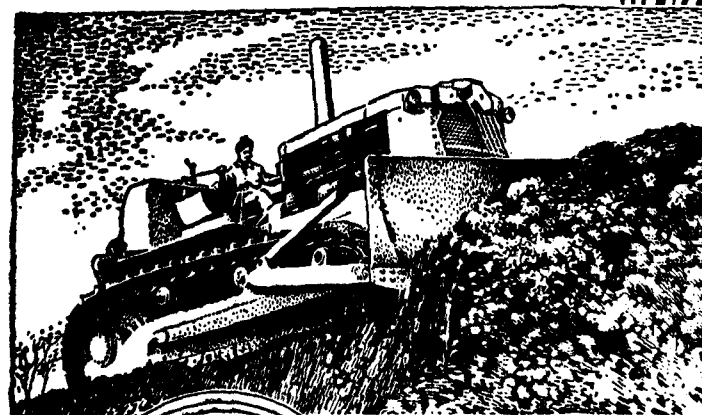
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REPORT ON DALDA... 2

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.

WORLDGRAM

AGRICULTURE

Co-ordination of Fisheries Research and Development: For integration and co-ordination of fisheries and development activities in the country, the Government of India has set up a 29-member Central Board of Fisheries, under the Chairmanship of Shri A. P. Jain, Union Minister of Food and Agriculture. The Board will meet periodically, and discuss at national level problems connected with fisheries research and development, and recommend suitable measures for better co-ordination of this work between the Centre, States and fisheries organisations. In addition, the Board will suggest methods for implementing schemes of development and research on fisheries which, in one way or other, are linked with the programmes, as included in the National Plan. According to the constitution, the Board will also have three representatives of fishermen's co-operative societies, one representative of the fishing industry, representatives of the Ministries of Finance, Commerce, and senior officers of the Union Ministry of Food and Agriculture.

INDUSTRY

Development of Chemical Industries. A Delegation of managers of chemical factories in India has left for Japan to discuss supply of machinery for the development of chemical industries in India. The Delegation, which consists of seven members, will stay in Japan for a fortnight and visit various alkali and chlorine chemical industries in that country. The members of the Delegation are: Shri S. Ramaswamy, Dr. K. S.G. Doss, Shri L. R. Krishnamurthy, Shri L. R. Gautam, Shri V. S. L. Mankekar, Shri P. D. Nargolwalla and Shri S. C. L. Jain. The visit has been arranged following the acceptance by the Development Council for Alkali and Allied Industries, Ministry of Commerce and Industry, of the invitation of the Japanese Consulting Institute in New Delhi. The Secretary of the Institute is accompanying the Delegation to Japan. Two members of the Delegation are also members of the Development Council. The Foreign exchange expenditure of the Delegation in Japan will be met by the Institute while the travel expenditure in Indian currency will be met by the members of the Delegation.

Colour Fastness of Textile Materials: An Indian standard method for determination of colour fastness of textile materials to daylight (IS: 686—1957) has been published by the Indian Standards Institution. The method of test prescribed in the standard is intended for evaluating colour fastness of textile materials to the action of daylight. It cannot be used when quick results are required. Since it is equally important to evaluate colour fastness of textile materials to the action of other agencies and processes which affect colour, such as washing, dry cleaning, hot pressing, rubbing, sea water, etc., separate Indian standards dealing with methods of test for evaluating colour fastness in respect of these agencies and processes are being issued. A complete list of such standards as also copies of the standard (IS: 686—1957), published in English, can be had from the Indian Standards Institution, Manak Bhavan, 9, Mathura Road, New Delhi-1, and its branch offices at 40/40A, Cawasji Patel Street, Fort, Bombay; P-11, Mission Row Extension, Calcutta; and 23, Nungambakkam High Road, Madras-6.

Coir Industry in India: A sum of Rs. 1 crore was originally provided in the second Five-Year Plan for schemes for development of coir industry — Rs. 30 lakhs for direct Central schemes, to be implemented by the Coir Board, and Rs. 70 lakhs for schemes to be implemented by the coconut-producing States. In view of

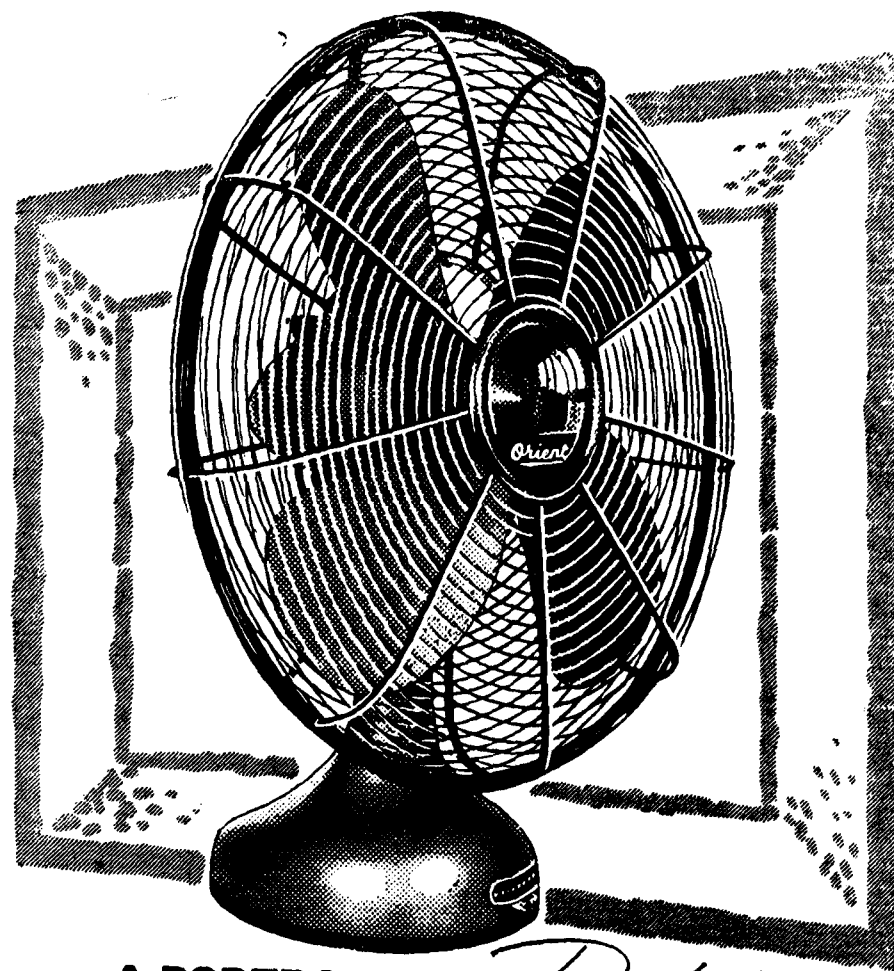
the importance of the coir industry as a foreign exchange earner, the Government of India have now enhanced the overall allocation for development of the industry for the second Plan period to Rs. 170 lakhs. The allocation of the State schemes has been increased from Rs. 70 lakhs to Rs. 140 lakhs. The total exports of coir goods from the Indian ports during the last year stood at 35,370 tons valued at Rs. 4.20 crores. The figures for 1956 were 36,867 tons valued Rs. 4.21 crores. The Government of India have sanctioned a scheme of the Coir Board for establishment of a Coir Research Institute near Alleppey and a Branch Institute in Calcutta, at a total cost of Rs. 20.28 lakhs during the second Plan period. The Coir Board has taken part in four exhibitions in India and five exhibitions in foreign countries and won several prizes for decoration and display of coir goods. As a result of this the Board has been receiving several enquiries from both internal and foreign dealers, which are being promptly attended to by the Board. The Board has sold coir goods worth Rs. 54,579 till the end of November, 1957, through its showroom-cum-sales depot in New Delhi which was opened towards the end of 1955. A mobile propaganda van has also been supplied to the showroom for publicising the coir goods in Delhi areas. The Board proposes to open three more showroom-cum-sales depot at Calcutta, Bombay and Madras during the current financial year. Provision has also been made for the opening of two showroom-cum-sales depots during 1958-59, one each at Bangalore and Jullundur.

Development of Pharmaceutical Industry: A number of steps have been taken by the Government of India to develop the pharmaceutical industry in the country. Existing manufacturers are encouraged to undertake production from intermediates near to basic chemicals. New manufacturers are permitted to enter the field on the basis of their undertaking production of basic drugs as soon as possible in accordance with the programmes approved by Government. A proposal for the establishment of a plant to meet the requirements of intermediates, which is under consideration, is expected to be implemented during the second Plan period. Based on expert studies undertaken by suitable agencies, proposals for the establishment of manufacture of synthetic drugs and additional quantities of antibiotics from basic stages are under consideration. Special mention must be made of the steps taken to expand the manufacture of penicillin at Pimpri and to set up a unit for the production of streptomycin.

Development of Handicrafts: Schemes to establish a new pilot centre and continue the existing 11 pilot centres for the development of various handicrafts have been approved by the Government of India on the recommendations of the All-India Handicrafts Board. The existing eight development centres are also to be maintained during the current financial year. Three research sections are to be opened for conducting experiments and research in handicrafts. All the pilot centres and development centres are under the direct control of the All-India Handicrafts Board. A sum of over Rs. 6.45 lakhs has been sanctioned by the Union Ministry of Commerce and Industry to the All-India Handicrafts Board for implementing the schemes. The new pilot centre is to be set up at Mysore for providing training in packing techniques.

TRADE

Export Promotion Council for Chemicals and Allied Products Set Up: An Export Promotion Council for chemicals and allied products has been set up with the support of the Government of India. The main object of the Council will be to maintain and promote exports



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A DELHI NOTEBOOK

FOREIGN CAPITAL AND LOANS

THE renewed foreign exchange crisis may yet be arrested by attracting more foreign capital to the country. One of the ways by which such inflow could be facilitated is by having agreements with capital-exporting countries for avoidance of double taxation. To finalise and conclude agreements of the kind with West Germany, Switzerland and Sweden, a Finance Ministry team is shortly leaving for Europe. The basic provision of these agreements will be to the effect that the country where income accrues would keep the tax levied on it. The prospects of reaching any such agreement with the United Kingdom are, however, not bright, it is learnt.

The inflow of foreign capital through loans appears to be slowing down in view of heavy repayment commitments which were referred to in this column of the issue of May 16. An example is provided by the reported reluctance of Government to avail of the entire offer made by a Japanese firm to secure a 100-million dollar loan from American financiers for financing the possible acquisition of Japanese ships for India. In this case brokerage will have to be given to the Japanese firm arranging the loan. Even if other conditions governing interest, loan period and repayment are favourable, it is just not likely that anything more than \$25 million out of the offer would be availed of. Whether this would be used for purchasing new tonnage for the public sector shipping companies or for the private sector companies, is not known.

With the aid of foreign loans, the public sector will soon be making further progress in so far as the manufacture of some drugs and chemicals is concerned. In a couple of months a Russian technical team is coming to India to finalise the terms of the 100-million rouble loan proffer for establishing an anti-biotic plant and a synthetic drugs plant. Negotiations, now under way, with the West German firm of Bayer's are also expected shortly to lead to a deferred payment scheme for establishing a plant for the manufacture of intermediates for dyestuffs and plastics.

As for the private sector, a notable project is for expanding the annual production capacity of the Hirakud Plant of the Indian Aluminium Company of Calcutta from 10,000 tons to 20,000 tons. This expansion project will involve a foreign exchange expenditure of Rs. 2.5 crores on capital goods and Rs. 1.1 crores by way of rupee expenditure. The foreign exchange component, it is expected, will be financed by a Canadian loan. Besides this project, a unit of aluminium re-rolling mill in each of the States of Assam, Bihar, Andhra and Kerala is also to be started. Permission has also been accorded to the British firm of Glaxo's and the Swiss firm of Hoppman Le Roche for establishing units in India to manufacture Vitamin 'A'.

Allocations, it is learnt, are now being made from dollar and yen loans for a number of projects in both the sectors—public and private. The 75-million dollar loan from the US Development Fund is being allocated as follows: Purchase of steel for the Indian Railways—\$40 million; purchase of components for motor trucks—\$25 million; cotton and jute industries—\$5 million, and cement industry—\$5 million. The Export-Import Bank's dollar loan is being allocated to some irrigation and power projects, some industrial and road construction programmes and the purchase of coal mining equipment. As for allocations from the 18-billion yen loan authorised by Japan, five billion yen are to be earmarked in the first year for the purchase of ships and railway and power equipment.

REPORT ON PORT CONGESTION

The British Mission which recently surveyed congestion conditions in Indian ports has submitted its report. The Mission's survey of the capacity of Bombay Port is particularly interesting for its finding that "in general the Port should be capable of dealing with ships and cargoes without undue delays and, in fact, should normally still have a little bit in hand". In the Mission's opinion, there should be no recurrence of serious congestion if two factors, namely, vigorous action by the Port Trust to remove uncleared cargo from the berths and transit sheds and improvement of labour output through piece work continue to function at least at the present standard.

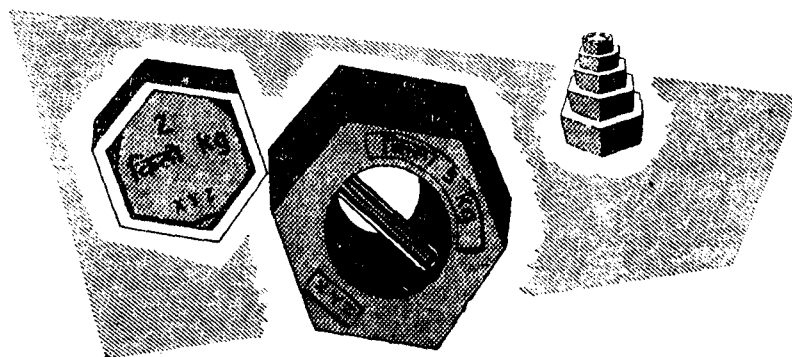
The Mission has also given the finding that the Port is well equipped with mechanical aids. There is, however, scope for further mechanisation, and the Mission has recommended the purchase of 12 clamp lift trucks to deal with bale and case cargo, the electrification of the cranes in Alexandra Dock, and the purchase of a self-propelled floating crane with a capacity of 60 tons. The present and proposed railway facilities including marshalling yards are also considered excellent.

The Mission has, however, drawn pointed attention to the possibility of congestion in future in the event of a sudden rush of ships. Such congestion may well recur if uncleared cargo is kept in storage for too long, and if cargo owners (importers) do not exercise vigour in completing the necessary customs and other formalities and remove their goods from the Dock estate as soon as possible.

In this connection the Mission has made pointed reference to the fact that many importers are very slow to clear their goods because they find it cheaper to leave them on the Docks than to remove them elsewhere. Though the importers cannot be blamed for this, there is no denying that it is an improper use of the Port's facilities. To remedy this state of affairs, the mission has suggested that the free period for rent purposes should be reduced to three days from the General Landing Date, that at the expiration of the free period goods still lying at the berth or in the transit shed be immediately removed by the Port Trust to an uncleared goods warehouse or open storage site, that Rs. 10 per ton be charged to cover the expenses of this removal, that the demurrage fees be increased progressively on a scale sufficiently steep to ensure that the owner will be forced to remove them from storage within a month of landing, that failing removal within a month the Port Trust should, without delay, sell them by auction, and that when in these circumstances goods are sold by auction there should not be any reserve price on them but it should be a condition of sale that the purchaser will be liable for the payment of any outstanding charges which attach to the goods.

The Mission has justified these stringent measures against importers because uncleared goods sometime lie in port storage for a year before they are sold and tardier clearance of cargoes is very much in evidence. An increase of about Rs. 40 lakhs in demurrage fees in 1956-57 as compared with the previous year is attributed to tardier clearance. The Mission has laid a part of the blame for this state of affairs on the customs procedures and practices. The practice of selecting a package for examination by random reference to its serial number after the consignment has been stowed in the shed and the practice of requiring the removal of packages from the transit shed to a central depot for examination have come in for pointed criticism. These practices, in the opinion of the Mission, interfere with the smooth movement of cargo and should, therefore, be replaced by much simpler ones.

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.

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FROM OCTOBER, 1958

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or 2 lb. 3 ozs.

SUB-UNITS
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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

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The Business World

CANE YIELD AND SUGAR RECOVERY

INDIA'S per-acre cane yield is still considerably less than the average yields in most other countries. Her factories' recovery of sugar expressed as a per cent on cane also lags behind. And thus the per-acre yield of sugar in India, calculated on the basis of percentage recovery, also lags behind. The comparative picture in a number of countries is brought out in the following table:

Country	Yield of cane per acre (in maunds)	Recovery per cent cane	Yield of sugar per acre (in maunds)
Cuba	466	12.25	57.0
Puerto Rico	658	12.23	80.4
Hawaii	1,689	10.46	176.6
Peru	1,119	12.33	138.1
Mauritius	534	12.08	64.5
Java	1,530	11.49	175.4
Japan and Formosa	769	12.93	99.5
Australia	581	14.33	83.1
India	400	9.50	38.0

That India has yet to progress to the level of other sugar-producing countries is obvious although her average yield of cane has been steadily going up for some time. As far as sugar recovery is concerned, it has not always been 9.5 per cent; it has been moving up and down since 1942-43 as could be seen from the following figures:

Year	All India
1942-43	10.28
1943-44	10.02
1944-45	10.21
1945-46	10.13
1946-47	9.88
1947-48	9.85
1948-49	9.96
1949-50	9.88
1950-51	10.03
1951-52	9.57
1952-53	9.98
1953-54	10.07
1954-55	9.93
1955-56	9.83
1956-57	9.76

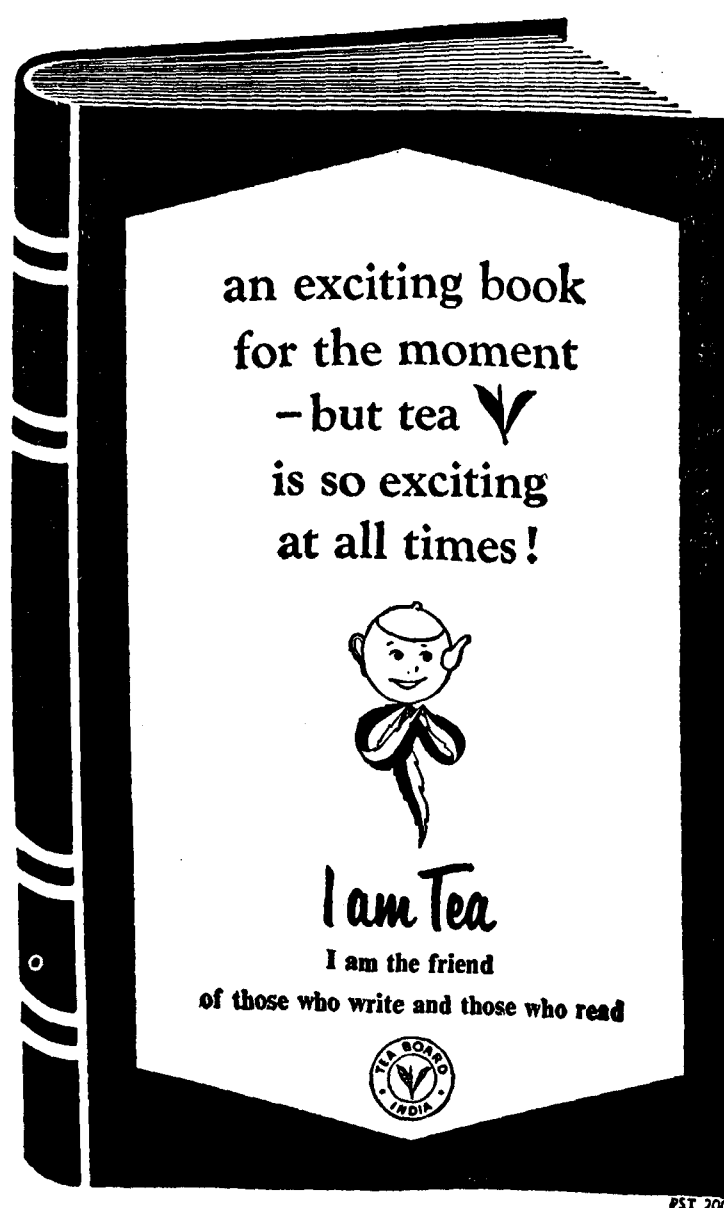
The per-acre yield of cane in India was 345 maunds in 1939-40; it has gone up to 400 maunds as of 1955-56. And so the yield of sugar per acre has also gone up somewhat. At the same time sugar recovery per cent has not only not gone up but has somewhat come down. From this it would appear that the sucrose content of cane has not increased at all. In other words, more cane is now produced from an acre of land and thus more sugar, in absolute terms, is obtained from the cane yield of an average acre, but the quality of that cane in terms of its sucrose content is either stationary or poorer than before.

The position in recent years in respect of sugar recovery, it may be thought, does not reflect creditably on the technical efficiency of Indian factories. In most of the States there has been a fall in recovery percentage since 1955-56. The following figures bear this out:

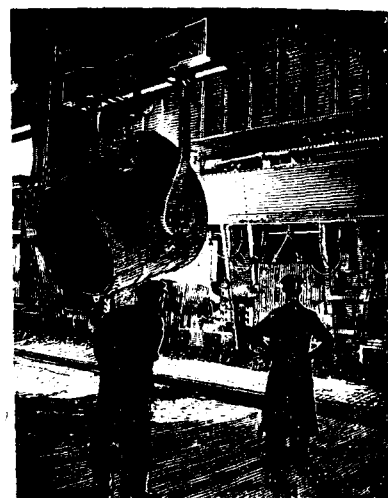
States	Recovery of sugar per cent cane in 1955-1956	Recovery of sugar per cent cane in 1956-57
Uttar Pradesh	9.71	9.67
Bihar	9.76	9.58
Bombay	11.67	11.41
Andhra	9.47	9.35
Punjab	8.88	9.18
Madhya Pradesh	9.50	9.57
Mysore	10.17	9.99
Madras	8.86	8.97
Rajasthan	9.44	9.38
Kerala	9.07	8.87
Orissa	9.05	8.00
West Bengal	10.46	9.00
All India	9.83	9.76

This fall in recovery would have to be attributed to the poorer quality of cane in terms of its sucrose content and not to any fall in the standards of technical efficiency in crushing and extraction of sugar. As far as technical efficiency is concerned, Indian factories with a ratio of 85 compare most favourably with those of Hawaii, with a ratio of 88 and those of Mauritius with a ratio of 83. Although there may be scope for further improvement in the technical efficiency of Indian factories and thus for a higher sugar recovery, a lower sucrose content of cane may well mean a lower sugar recovery in spite of improvement in technical efficiency. This is precisely what appears to be taking place.

So the need of the hour is to improve the quality, that is, the sucrose content of cane for it is rightly said that sugar is grown in the field and not in the factory. This need has to be largely met by research in sugarcane breeding. The emphasis in this research might have to shift from heavy-yielders to more juicy varieties. Till now the Sugarcane Breeding Station at Coimbatore has evolved high-yielding and disease-resistant varieties of cane like Co. 312, Co. 313, Co. 421 and Co. 453 suitable for sub-tropical climatic conditions in North India and Co. 419 suitable for tropical areas in South India. More recently the Station has also evolved early-maturing and heavy-yielding varieties like Co. 630, Co. 644, Co. 659 and Co. 686. It may be seen that the emphasis on breeding research has so far been on the per-acre yield of cane from the point of view of benefiting the cultivator and not on its sucrose content from the point of view of the producer and the consumer of sugar. If cane varieties, with a higher sucrose content and retaining their heavy-yielding characteristics, come to be evolved soon, there can be no doubt that Indian cultivators would take to them readily even as they have till now done in the matter of new Coimbatore canes.



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BUSINESS NOTES

THE DOCK DISPUTE—THE TOTAL PICTURE

THE THREAT of direct action issued by the All-India Port and Dock Workers' Federation immediately after the unsuccessful deliberations at the tripartite conference held in New Delhi early this month was followed by elaborate propaganda made by the Federation by means of Press statements. This was apparently a clever bid to win public sympathy. So confident was the Federation of the effectiveness of its publicity drive that it flung a challenge to let the record of the dispute speak for itself. A one-sided version can never claim to speak for the entire situation. The other side, representing the attitude and efforts of the Government as the administering authority for the ports of Cochin, Visakhapatnam and Kandla and the three Port Trust authorities of Bombay, Calcutta and Madras to resolve the dispute is now available. Its belated publication constitutes a reflection on the alertness of the Ministry in the matter of publicity in a controversy of great magnitude touching a public service of strategic importance. This delayed step should save a good case from going by default.

One basic conclusion which arises from the Transport and Communications Ministry's elaborate statement is that there can be no pretence of justification for the threatened strike of port and dock labour at the six major ports from June 16 next. Mr. P. C. Choudhury's report cannot be given immediate effect in toto because many of the principles which he has applied in determining the wage and allowance questions will need modifications in the light of the Second Central Pay Commission's report. Even taking his final report as it stands, it cannot be given prompt effect for the simple reason that in view of the prevalence of numerous categories of workers he had no alternative but to restrict his recommendations to certain "test posts" and to suggest examination of pay scales for the totality of workers' categories at the port level. When the tripartite conference met, the talks had very nearly reached completion in Madras. But in respect of the other ports, they were in varying stages of negotiation. The Federation's claim that talks at the port level would yield no result and would prove pointless can hardly hold water.

The statement of the Ministry flatly contradicts the Federation's allegation that no disputes were referred to tribunals for settlement or were tackled otherwise at the proper level. It substantiates its stand in this matter with specific reference to a wide range of disputes and grievances which have been redressed or actively taken up for settlement. It is not necessary to enter into their lengthy catalogue here. One glaring fact ought to suffice to demonstrate the intransigent attitude of the Federation. The piece-rate system of wages for shore and stevedore labour introduced in Madras port in March this year has resulted in doubling the average monthly wages per worker to over Rs. 190. In Bombay it has yielded spectacular results. The Federation which shows such solicitude for workers' genuine interests expressed its readiness to participate in the special sub-committee to evolve a piece-rate system for Calcutta loading and unloading labour. But later it withdrew from it. Now it has declared its uncompromising opposition to it. Let the total record, comprising the versions of the two sides, speak for itself. Nothing whatsoever is going to be lost, if the Federation waits until July 15, as suggested by the Ministry, to complete the consultations which are essential for final decision.

SITE FOR THE SECOND SHIP-YARD

THE PREPONDERANCE of evidence sifted by the UK Shipyard Mission in its investigation of a suitable site for India's second shipyard shows that the Ernakulam site near Cochin commands maximum comparative

advantage to be selected for this purpose. This is an expanding port, it has a number of subsidiary shipbuilding industries in operation and the labour force is familiar with the work, implying that it has a good potential of attaining high skill. Mazagaon near Bombay is economical for outlay and it is already a recognized ship repair centre. But its main handicap is that the annual output of shipbuilding will be limited to 4 ships of deadweight tonnage up to 12,000 which is considerably below the desired target. Kandla will raise real difficulties about developing and retaining skilled labour and technical force. Besides it stands in isolation from industrial areas. Trombay near Bombay will involve heavy initial as well as recurring outlay on dredging operations. Geonkali near Calcutta has the major handicap of being unreliable for safe launching of ships and further the foundation works may be endangered by continuous dredging. The estimate of cost for Cochin (Ernakulam) is placed at Rs. 19.16 crores which compares favourably with that of other sites except Trombay. This estimate includes dry-dock and repair facilities but not the township and transport facilities that may have to be newly provided. The Mission has uttered a caution that the labour content of Indian shipbuilding industry is high and must be reduced by a planned programme of training which it has prepared.

Considering the current difficulties of foreign exchange as well as rupee resources, there is very limited room for optimism about an early start in implementing this project of the second shipyard. But in view of the strategic significance of this basic unit, it is of the utmost importance that no quarter should be given to unseemly regional wrangles as in the case of the new oil refinery. The decision on the selection of the site must be made on technical merits.

TRADE UNION CODE

THAT THE condition of industrial relations is not satisfactory in India is amply borne out by the frequent strikes witnessed lately. The strike in the Jamshedpur Steel Works, and the threatened dock workers strike are quoted as examples in evidence of that. An analysis of lock-outs and strikes would reveal that the interference by the political parties in the affairs of labour and the inter-trade union rivalry have been responsible to a considerable degree for this sorry state of affairs. A unified trade union structure—the final answer to the present malaise—being not possible with different political ideologies of the trade unionists, the evolution of a trade union code at the recent Indian Labour Conference may thus be considered as an outstanding step for maintaining harmonious inter-union relations. The reluctance on the part of employers to grant recognition to trade unions was justified on the ground that the trade unions themselves were not able to arrive at an agreed formula as to what constitutes a representative and responsible trade union. The suggestion, therefore, mooted at the conference that no recognition should be given to a trade union unless it had been functioning for at least one year and had a membership of 15 per cent workers in the trade, occupation or industry, is quite fair. To demand that the trade unionist should prescribe a membership fee and ensure proper collection of such fees is equally fair as they must know their responsibilities too.

Some of the principles enumerated in the eight-point code are quite noteworthy. One is the need for unreserved acceptance of and respect for democratic functioning of trade unions. The other is that the ignorance and backwardness of workers shall not be exploited by any organisation and that no organisation shall make excessive or extravagant demands. Equally salutary is the provision banning violence, coercion,

intimidation or personal vilification in inter-union dealings.

No doubt with a code of discipline, which now regulates union-management relationship, this code of conduct for rival unions lays the foundation for industrial peace; its effectiveness, however, would depend on how far the four federations would honour their commitments. In order that the code be worked in the spirit in which it is conceived, it is imperative, that a concerted attempt be made for imparting training to workers in trade union philosophy and methods. This, however, is a hope which will materialise in the long term. In the meantime, the performance of trade union leadership continues to fail to square with its professions. Between Nainital and Jamshedpur lies a very wide gulf.

POLICY FOR MANGANESE ORE EXPORT

THE GOVERNMENT Press Note on this subject, dated May 24, 1958, starts with a pompous announcement that the Government is keeping under constant review that working of the policy declared in May and June 1957 for export of manganese ore during the period July 1957 to June 1958. The expiry of the period is drawing so close that there is hardly anything to require "keeping under constant review the working of the policy" which is due to lapse in a matter of a few days. Some of the features of the export policy announced for the forthcoming annual period—July 1958 to June 1959—deserve notice. Established shippers, mine-owner exporters and the State Trading Corporation will be allotted the same quotas as in the current year. Parties and firms whose individual quotas are small are advised to form themselves into large companies or co-operatives. Where, on such formation, the aggregate quota comes to 25,000 tons, a bonus quota of 10 per cent will be awarded. Quota holders who secure bulk business of export in excess of their allotments or who are in a position to enter into contracts for periods beyond June 1959 are asked to approach the Chief Controller of Imports and Exports in order to evolve necessary arrangements to ensure execution of such contracts when finally concluded. The objectives of the policy for the new licensing year are to discourage fragmentation and to promote bulk contracts as well as long-term contracts extending beyond one year.

STIMULATING INDUSTRIAL PRODUCTION

IN ITS memorandum submitted last week-end to the Minister for Industries, Government of India, the All-India Manufacturers' Organisation, Bombay, has listed four main factors, which in the opinion of the Organisation, have contributed more than any other factor to the set-back in industrial production. In view of the recent slackening in the rate of growth of industrial production, the analysis of the A.I.M.O. acquires added significance and, therefore, merits careful consideration.

The A.I.M.O. opines that one of the most important factors is the paucity of raw materials. The memorandum rightly suggests that the import of essential raw materials should be given a very high priority next only to that of food. It also pleads that a higher priority and special consideration should be given to the import of raw materials and the components than to import of complete equipment from abroad, as such a procedure would result in saving of foreign exchange and in maintenance of production of existing units in the country. The second reason according to the memorandum, is the pursuit by the Government of some unrealistic measures such as heavy incidence of taxation, in the form of excise duty and sales tax and economic controls and restrictive measures conceived largely in ideological terms. In order to stimulate demand, particularly within the country, the A.I.M.O. has urged upon the Government to lighten the incidence of commodity taxes such as excise duty, sales tax, etc.

on the one hand and to move slowly in devising further economic measures on ideological considerations, on the other. The Organisation's plea in this connection, for the grant of a special concession, for saved and invested incomes, abolition of wealth tax on companies and tax on bonus shares and total withdrawal of the compulsory deposit scheme is unexceptionable.

The third and the fourth factors standing in the way of larger industrial production, relate to the lack of adequate financial resources and the rising production costs respectively. In order to augment more rupee resources, the memorandum suggests that suitable concessions in taxation should be given in the case of individual savings when they are canalised through proper channels approved by the Government for investment in the National Development Programme including specified industrial enterprises. Referring to the rising production costs, the A.I.M.O. has particularly stressed the increasing burden of raw material prices, wages, and labour welfare measures and taxation. If the present trend of increasing costs is allowed to continue, the prospects of increasing industrial production and expanding our exports in future will be poor.

EXPORT PROMOTION — PRIORITY DIRECTION

THE NEED for aids and incentives to step up the volume of the country's exports has never been felt so great as now. The persistent foreign exchange shortage and American recession which is likely to affect our exports of manganese ore, jute, manufactures and textiles adversely make it all the more essential to strengthen our export drive in the various markets. The Union Minister of Commerce, has, therefore, done well in reiterating the need for stepping up of exports, while inaugurating the first meeting of the Export Risks Insurance Corporation. In the words of Mr. Lal Bahadur Shastri, 'The stepping up of exports was the only real solution to overcome the present foreign exchange shortage'. In spite of all the export promotion measures our exports in 1957 were of the value of Rs. 643 crores. This includes Rs. 30 crores worth of silver returned to America during the period. In the year 1956, exports totalled Rs. 619 crores. This clearly indicates that we have not made much headway on the export front. On the other hand the reduced foreign exchange earnings have resulted in a repaid depletion of our sterling balances. The balances which stood at Rs. 279.77 crores on February 28, have fallen to Rs. 258.46 crores on May 9.

It is in this context that Mr. Lal Bahadur Shastri has stressed the necessity of sending delegations of different industries abroad to canvass and create markets for their products. It may be pointed out that a delegation, consisting of the representatives of tea, jute and coir industries would be visiting Russia, Poland, East Germany and some other countries soon. The venue chosen for the export drive is inappropriate. There is a growing African market with its vast expanding consumer demand which could be fully tapped. West Asia, too, is an enormous field to be explored. Together with the established lines, like jute, tea and textiles what needs to be developed in the export sphere is the growing list of non-traditional and manufacturing items especially light engineering goods.

For increasing export trade, the question of export risks insurance was of equally greater importance. The establishment of the Export Risks Insurance Corporation by the Government of India was, therefore, a step in the right direction. The suggestion of Mr. Lal Bahadur Shastri in regard to the easier financial facilities to be provided by the banks to insured exporters was in fact the need of the hour. To defer recovery of advances made by the banks till the claim became payable was important for it would help keep the working capital of the exporter intact and he would continue to carry export business.

How banking serves the COIR INDUSTRY

PC-438



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COMPANY AFFAIRS

THE PODAR MILLS LTD.

According to the directors the year 1957 was "A most difficult year for the cotton textile industry in general. The heavy increase in excise duty on Mill cloth levied in September 1956 had very adversely affected the industry. Sluggishness in the cloth and yarn trade has reflected in the lower profits realised for the Company's products as well as in the higher stocks of finished cloth and yarn carried at the close of the year." The Third shift of the Spinning Department started by the Mill of the Company in the month of February 1957 was closed by the end of the year, because of adverse market conditions. Exemption has been granted to the Company from making the compulsory deposit with the Government for the year 1956, under the Income Tax Allowance (Current Profits De-posit) Rules 1957. As there will not be any assessable income of the Company for the year after allowance of Depreciation and Development Rebate, no provision has been made for taxation and the liability for the Wealth Tax has not been provided as it is covered by the provisions for taxation made in the previous year. Full provision has been made for necessary Depreciation up to December 31, 1957.

Following the prevailing trend of textile profits, the Directors of the Podar Mills Ltd. regret that the results for the year under review are disappointing. The profit for the year ended December 31, 1957, amounts to Rs. 1,30,863 against Rs. 10,00,006 during the previous year. Taking into account the amount of Rs. 4,72,683, brought forward from last year, a total of Rs. 6,03,546 was at the disposal of the Directors, who had paid an interim dividend at the rate of Rs. 4 per share (free of income tax). The Directors, have proposed final dividend on 40,000 ordinary shares at the rate of Rs. 6 per share (income tax free), making to Rs. 10 the share for the whole year. A balance of Rs. 1,63,546 has been decided to be carried forward.

THE SVADESHI MILLS CO. LTD.

The Svadeshi Mills Co. Ltd. shows a substantial reduction in profits for the year 1957. After providing Rs. 13.68 lakhs for depreciation and Rs. 2.50 lakhs for Wealth Tax, the Company shows a substantial reduction in profits to Rs. 6.78 lakhs from Rs. 31.76 lakhs in the previous year. Adding there- to, a sum of Rs. 29,124 brought in and Rs. 9.75 lakhs transferred from General Reserve No. 1, the total amount available for distribution comes to Rs. 16.82 lakhs, from which a sum of Rs. 6.78 lakhs has been allocated to General Reserve No. 2. From the balance of Rs. 10.04 lakhs a dividend of Rs. 9 per ordinary share, without deduction of Income Tax is recommended.

The Directors attribute the substantial fall in profits to the adverse trading conditions experienced by the cotton mill industry. "The drastic increase in excise duty made effective from September 1, 1955", say the Directors, "resulted in a precipitate fall in the demand for cloth which seriously affected the profits of the Company. The rise in the rate of dearness allowance and the closure and partial working of the mills for about thirty days also contributed substantially to the reduction in profits."

During 1957, the Mill recorded further progress in the reorganisation and renovation of the Mills. Machinery of the value of Rs. 24,27,000 was installed in 1957. At the end of the year, machinery of the value of about Rs. 7,40,000 was awaiting installation.

THE TATA MILLS LTD.

After setting aside Rs. 50,000 for the Managing Agents' commission, Rs. 10.25 lakhs for depreciation and Rs. 50,000 for Wealth Tax, the Tata Mills Ltd. shows a

sharp fall in the net profits from Rs. 18.27 lakhs in the previous year to Rs. 1.70 lakhs for the year to December 1957. With Rs. 17,925 brought in from the previous year and transferring from the General Reserve No. 1 a sum of Rs. 5.24 lakhs, the total amount available for disposal comes to Rs. 7.13 lakhs. After allocating from this a sum of Rs. 1.70 lakhs to General Reserve No. 2, the Directors have recommended a dividend of Rs. 2 per ordinary share without deduction of Income Tax for the year ended December 31, 1957, leaving Rs. 17,925 to be carried forward.

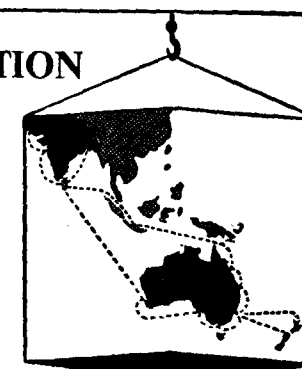
Both the sales of cloth, yarn and waste and stocks at the close recorded increases. While the sales went up slightly, from Rs. 3.08 crores in the previous year to Rs. 3.38 crores during the year under report, stocks at the close also were higher around Rs. 79.04 lakhs as compared with Rs. 66.95 lakhs in the previous year.

Giving reasons for the sizeable decline in profits, the Directors say, "since the calamitous increases in excise duties, made effective from September 1, 1956, the cloth markets in the country have been experiencing one crisis after another. Sales are at unremunerative levels, movements are restricted and, in general, confidence is at a low ebb. To add to the general malaise, Government levied, with effect from December 14, 1957, addition excise duties to replace the sales tax imposed by Union and State Governments. On the basis of the rates announced, Government are likely to recover, in the aggregate a sum higher than what would be lost by the abolition of sales tax, thus adding to the financial burden of the industry, the industry is caught between the pressure of increasing costs and lower realisations."

The Company's plan for the reorganisation and renovation of the mills is making satisfactory progress. Machinery of the value of about Rs. 14 lakhs was installed during 1957. At the end of the year, machinery of the value of about Rs. 6 lakhs was awaiting installation. The Company has placed additional orders for carding engines, a humidification and ventilation plant for the carding department and equipment to increase the mill's processing and finishing capacity from 50 per cent to 75 per cent of its total production.

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COMMODITY NEWS AND NOTES

PRODUCTION OF AREA UNDER 'KHARIF' CEREALS

The all-India final estimates of rice, 'jowar', 'bajra' maize and 'ragi' for 1957-58 put the area and production of these crops at 1,63,550 thousand acres and 41,222 thousand tons respectively, as against the partially revised estimate of 1,62,599 thousand acres and 43,140 thousand tons for 1956-57. These show an overall increase of 951 thousand acres or 0.6 per cent in area and a decrease of 1,918 thousand tons or 4.4 per cent in production during the current year, as compared to last year. The rice crop accounts for a decrease of 3.5 million tons or 12.2 per cent in its production during the current year, as compared to previous year, despite only a nominal decline in area. Even then, the production during the current year is almost equal to the average for the first Five-Year Plan period. The shortfall in rice production has been made up partially by the increase in production of other 'kharif' cereals, especially of the two major millets, 'jowar' and 'bajra'. These two millets account for an increase of 1.5 million tons during the current year, as compared to previous year. The increase in production of these millets this year has been shared by almost all the major millet-growing States, especially Andhra Pradesh, Bombay, Punjab, Mysore, Uttar Pradesh and Rajasthan. The increase in production of maize and 'ragi' is, however, nominal. The increase in production of other 'kharif' cereals, especially of 'jowar' and 'bajra', this year is due mostly to favourable climatic conditions during the growing period of the crops. The all-India final estimate of small millets for 1957-58 is expected to be available in June 1958. According to the all-India final estimate of small millets, 1956-57, the area and production of small millets during 1956-57 were 12.21 million acres and 2.01 million tons respectively.

SPECIFICATION FOR WHEAT ATTA

The Indian Standards Institution has published an Indian standard specification for wheat atta. In order to improve the nutritional status of consumers, the fortification of wheat atta with minerals and vitamins, namely calcium, iron thiamine, riboflavin and niacin, is envisaged in the standard. Requirements have been specified in the standard for moisture, total ash, acid insoluble ash, gluten, crude fibre, acidity, etc. Besides the particle size has been specified. Methods of test to check conformity to these requirements have also been given. Methods of packing have been given to ensure that the material reaches the consumer in a good condition. In order that the sample taken for test is truly representative of the consignment, a method of sampling has also been laid down. Copies of the standard, published in English, are available from the Indian Standards Institution Manak Bhavan, 9, Mathura Road, New Delhi-1, and also from its branch offices at 40/40A, Cawasji Patel Street, Fort, Bombay-1; P-11, Mission Row Extension, Calcutta, and 23, Nungambakkam High Road, Madras-6.

IMPORT OF WOOL RAW AND WOOL TOPS

The Government of India have decided to consider applications from actual users on an 'ad hoc' basis for the grant of advance licences for the import of wool raw and wool tops for the licensing period October 1958-March 1959. This is to ensure uninterrupted supply of this raw material to the woollen industry so as to enable the industry to draw up a planned production programme. This has been announced in an Import Trade Control Public Notice issued in a Gazette of India Extraordinary. Actual user licences, issued

under this Public Notice, will be valid for shipment after September 30, 1958 only and facilities for the remittance of foreign exchange involved will not be allowed before October 1, 1968. Actual users obtaining licences under this scheme will be required to inform the licensing authorities of the contracts entered into by them for the purchase of this commodity from time to time including the name of seller, the c.i.f. price, the country of origin and the period of delivery. Actual users intending to import this item should submit their applications for the period October 1958-March 1959 in the prescribed form and manner to the Joint Chief Controller of Imports and Exports, Bombay, by the end of July, 1958. It may be recalled that licences for the import of wool raw and wool tops had been issued to actual users during the period (October 1957-March 1958) on the basis of their twelve months' requirements ending September 1958.

PERIOD OF VALIDITY OF SPECIAL TEA EXPORT LICENCES

It appears that a portion of the tea crop of 1957-58 is available for export. To facilitate the export of such teas, it has been decided that the period of validity of special tea export licences should be extended till June 30, 1958, under the Tea Act.

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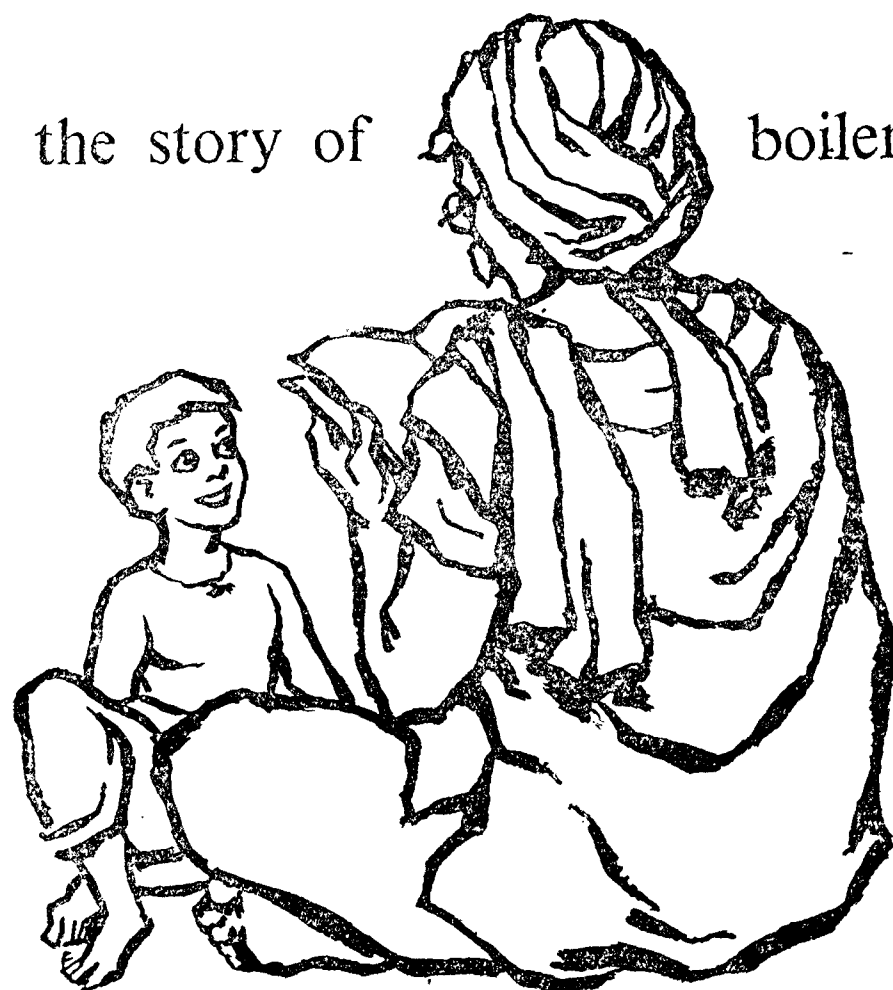
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In an old temple in Egypt, a scientist named Hero devised an instrument using steam pressure to force wine along a tube to be poured out on a sacrificial altar. That was in 100 B. C. Nearly two centuries ago, a small storm in a tea-kettle, noticed by James Watt, made it possible to use the mighty power of steam to change the face of the world. In India today more than 50% of the power produced is derived from steam. Texmaco in 1952, was the first to build a Lancashire boiler in India. It has since

considerably expanded its range of production. With the fabrication of water-tube boilers, for the first time in India, in collaboration with the world's best technical know-how, Texmaco is now equipped to manufacture and supply the complete range of industrial Fire Tube, Water Tube and Locomotive boilers. This is how Texmaco serves India's basic industries.

the story of boilers



Textile Machinery Corporation Limited

TXC-37

CURRENT STATISTICS

INDEX NUMBER OF WHOLESALE PRICES

(Base: 1952-53=100)

		Food articles	Liquor & Tobacco	Fuel Power Light & Lubricant	Industrial Raw materials	Manufactures			All Commodities
						Intermediate Products	Finished Products	Total	
1954-55	..	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.5
1955-56	..	86.6	81.0	95.0	99.1	100.1	99.6	99.7	92.4
1956-57	..	102.2	84.3	104.1	116.0	110.9	105.5	106.2	105.2
1957-58	..	106.4	94.0	113.6	116.5	107.3	108.1	107.9	108.4
October	1957	107.2	95.0	114.5	114.8	106.7	109.1	108.6	108.8
November	..	107.9	96.5	115.0	116.0	106.0	108.8	108.4	109.3
December	..	104.0	97.5	114.9	115.4	105.7	107.8	107.5	107.0
January	1958	102.5	96.4	114.6	113.6	106.7	107.8	107.7	106.0
February	..	100.8	96.7	114.8	111.1	105.8	107.7	107.4	104.6
March	..	102.3	94.9	114.5	111.3	106.8	107.7	107.6	105.4
April	..	105.2	93.4	114.6	114.1	108.8	107.9	108.0	107.4
Week Ended									
5-4-1958	..	103.8	93.4	114.5	113.6	108.4	107.7	107.8	106.6
12-4-1958	..	105.1	93.4	114.6	113.6	109.1	107.8	108.0	107.3
19-4-1958	..	105.9	93.4	114.6	115.0	109.1	108.1	108.2	108.0
26-4-1958	..	105.7	93.4	114.5	114.2	108.7	108.1	108.2	107.7
3-5-1958	..	105.8	92.1	114.5	114.3	108.5	108.4	108.4	107.8

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

period	Bombay			Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934 = 100	Ahmedabad July 1927 = 100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936 = 100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	138
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	160	330	151	154	141
1953	346	363	276	140	349	433	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	218	130	321	371	364	133	321	134	135	132
1956	336	352	244	142	347	424	397	151	356	152	146	145
1957	352	368	259	150	364	448	422	162	375	157	158	152
1957 June	352	368	259	152	371	446	423	168	373	159	156	155
July	358	374	263	152	371	459	424	165	375	159	164	155
August	359	375	265	155	375	468	427	163	373	157	166	156
September	357	373	262	149	378	464	426	160	372	156	167	157
October	356	372	260	149	375	461	429	162	375	155	166	156
November	365	383	265	148	378	457	431	165	391	156	168	157
December	365	383	257	145	375	443	432	165	390	154	166	156
1958 January	362	381	254	144	368	434	435	162	387	151	166	153
February	361	380	248	143	364	427	434	159	387	149	163	153
March	362	381	—	142	368	427	—	—	385	—	—	153*
April	—	—	—	142	—	436	—	—	384	—	—	—

† Base 1944 = 100.

* Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	16-5-1958			9-5-1958			2-5-1958			25-4-1958		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola) ..	114.75	111.72	113.28	113.94	112.50	113.52	114.72	112.50	113.83	114.62	113.22	113.87
Silver (per 100 fine tolas)	195.25	192.19	193.28	197.19	195.06	196.36	199.44	195.62	197.79	200.37	198.12	199.05

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5 + 6) as percent- age of (4)	Advan- ces	Bills Discount- ed	(8 + 9) as per- centage of (4)	Invest- ments in Govt. Securities in India
	Demand	Time	Total (2 + 3)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1948-49	674.56	303.88	978.44	37.51	76.63	11.67	424.85	16.44	45.10	
1949-50	597.79	272.59	870.38	34.47	65.85	11.53	426.74	15.35	50.79	
1950-51	599.13	278.45	877.59	34.68	60.78	10.88	447.03	11.87	52.29	303.48
1951-52	593.73	290.82	884.55	37.33	57.29	10.70	523.59	22.81	63.06	306.34
1952-53	546.23	309.26	855.49	33.33	51.82	9.95	461.84	38.47	60.48	321.29
1953-54	526.75	328.26	855.00	31.97	44.48	8.98	442.79	51.40	59.56	339.74
1954-55	559.62	351.86	911.55	32.66	53.91	9.50	468.39	84.66	60.68	370.71
1955-56	608.64	407.95	1,016.59	34.64	62.52	8.69	514.37	118.08	63.02	359.35
1956-57	653.34	453.92	1,107.26	38.94	50.23	7.96	628.08	155.56†	71.39	385.54
1957-58	723.89	619.19	1,343.08	39.34	77.55	8.72	723.79	167.32†	66.77	
Average of Fridays										
January 1958	718.43	694.22	1,412.65	38.58	66.46	7.26	736.87	155.37†	63.16	443.62
February	721.05	722.68	1,443.74	38.28	70.05	7.50	773.17	156.96†	64.08	432.90
March	738.44	727.12	1,465.56	38.21	68.11	7.26	793.31	154.39†	64.66	438.50
April	772.41	758.19	1,530.60	40.74	84.14	8.25	802.60	159.73†	62.81	442.57
Week Ending										
11-4-1958	774.46	757.63	1,532.09	39.92	75.89	7.56	804.51	157.70†	62.80	441.44
18-4-1958	772.88	763.31	1,536.19	39.32	86.82	8.21	800.26	157.18†	62.33	443.27
25-4-1958	774.80	768.70	1,543.50	41.97	90.78	8.60	797.15	159.11†	61.95	445.01
2-5-1958	752.50	791.07	1,543.57	40.15	99.16	9.03	798.27	157.12†	61.90	444.06
9-5-1958	752.17	790.20	1,542.37	40.35	107.31	9.57	795.18	153.47†	61.51	426.46
16-5-1958	743.00	787.51	1,530.51	39.35	68.07	7.02	788.31	151.58†	61.41	440.31

* Undivided India.

† Including foreign bills purchased and discounted.

MONEY SUPPLY IN INDIA

(Lakhs of rupees.)

Last Friday		Money supply with the public	Total currency with the public	Deposit money with the public			Total variations in money supply
				Total	Demand liabi- lities of banks	Other deposits with Reserve Bank†	
(1)		(2)=(3)+(4)	(3)	(4)	(5)	(6)	(7)
1953-54	..	1,793.97	1,229.43	564.54	549.83	14.71	+ 29.26
1954-55	..	1,920.63	1,311.77	608.86	599.16	9.71	+ 126.65
1955-56	..	2,184.32	1,505.09	679.23	667.22	12.01	+ 263.69
1956-57	..	2,312.89	1,556.50	756.39	744.74	11.65	+ 128.57
1957-58	..	2,387.41*	1,605.55*	781.86*	761.99*	19.87	+ 74.52*
April	1957	2,362.37	1,586.44	775.93	762.01	12.51	+ 49.48
May	"	2,381.99	1,596.43	785.55	772.79	23.55	+ 19.62
June	"	2,344.04	1,562.85	781.19	758.55	22.64	- 37.95
July	"	2,307.41	1,522.11	785.30	763.41	21.89	- 36.63
August	"	2,237.92	1,490.78	747.14	735.72	11.42	- 69.49
September	"	2,233.79	1,491.03	742.79	729.99	12.81	- 4.10
October	"	2,279.69	1,496.90	782.79	768.23	14.56	+ 46.87
November	"	2,242.78	1,499.11	743.66	730.54	13.12	- 36.91
December	"	2,274.92	1,526.17	748.75	732.21	16.51	+ 32.14
January	1958	2,318.26	1,554.13	764.13	748.12	16.01	+ 43.34
February	"	2,329.39*	1,570.43*	758.95*	743.76*	15.20	+ 11.13*
March	"	2,387.41*	1,605.55*	781.86*	761.99*	19.87	+ 58.02*

* Provisional.

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

Source: Monthly Bulletin of Reserve Bank.

RESERVE BANK OF INDIA
ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSET						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1948-49*	1,231.84 (5.58)	22.02 (—)	1,253.86 (5.58)	42.49	907.47	949.96	75.43	42.98 (90)	265.62*	1,253.86 (5.58)
1949-50*	1,128.94	24.00	1,152.94	40.02	647.04	687.06	59.59	50.53	416.36	1,152.94
1950-51*	1,163.21	17.19	1,180.40	40.02	624.70	664.72	56.31	57.21	458.47	1,180.40
1951-52*	1,189.84	27.78	1,217.62	40.02	625.27	665.29	54.64	63.98	488.36	1,217.62
1952-53*	1,114.84	27.87	1,142.72	40.02	584.40	624.42	52.89	80.22	458.08	1,142.72
1953-54*	1,133.95	23.03	1,156.97	40.02	594.02	634.04	54.86	92.83	430.11	1,156.97
1954-55*	1,106.19	22.98	1,129.18	40.02	648.81	688.83	56.58	102.26	428.09	1,220.18
1955-56*	1,339.39	17.08	1,356.47	40.02	656.52	696.54	51.35	106.87	553.06	1,356.47
1956-57*	1,475.77	18.75	1,494.52	(117.76)	545.61	663.37	(44.37)	115.93	755.22	1,494.52
1957-58*	1,529.36	23.18	1,552.53	117.76	329.65	447.41	28.79	130.06	975.06	1,552.53
Average of Fridays										
August 1957	1,495.65	30.71	1,526.37	117.76	369.52	487.28	31.92	131.22	907.87	1,526.37
September	1,477.60	36.41	1,514.07	117.76	338.60	456.36	30.14	133.82	923.89	1,514.07
October	1,487.74	26.43	1,514.17	117.76	317.92	435.68	28.78	133.92	944.57	1,514.17
November	1,481.61	32.86	1,514.47	117.76	293.14	410.90	27.13	134.22	969.35	1,514.47
December	1,508.32	14.69	1,523.00	117.76	278.95	396.71	25.28	132.76	993.53	1,523.01
January 1958	1,533.77	13.77	1,547.54	117.76	256.42	374.18	24.18	131.41	1,041.95	1,547.54
February	1,551.89	18.01	1,569.90	117.76	245.54	363.30	23.14	129.78	1,076.82	1,569.90
March	1,576.97	11.44	1,588.42	117.76	208.37	326.13	20.51	128.36	1,133.93	1,588.42
April	1,626.2	19.48	1,645.68	117.76	224.68	342.34	20.80	130.63	1,172.72	1,645.68
Week-Ending										
18-4-1958	1,627.77	23.87	1,651.64	117.76	227.19	345.15	20.90	131.58	1,174.91	1,651.64
25-4-1958	1,619.13	32.94	1,652.07	117.76	228.80	346.76	20.98	132.01	1,173.50	1,652.07
2-5-1958	1,619.62	21.16	1,640.78	117.76	204.71	322.47	19.65	130.73	1,187.59	1,640.78
9-5-1958	1,629.96	9.36	1,639.31	117.76	184.83	302.59	18.46	129.25	1,207.47	1,639.31

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS					Other Liabilities†	TOTAL LIABILI- TIES & ASSETS**	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad \$	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Governments	Other Governments	Banks	Others	Total									
1948-49 ..	222.17 (14.33)	16.93 (3.04)	80.53	56.52	393.72	15.33	419.05	22.12	4.28	307.78	1.71 (1)	3.34	75.65	4.14
1949-50 ..	141.19	23.12	67.00	64.39	295.69	15.76	321.45	24.12	4.30	280.91	3.35	8.39	960.54	4.34
1950-51 ..	141.19	23.12	62.22	62.29	290.82	18.14	318.97	17.31	3.04	107.70	2.37	6.77	76.72	5.06
1951-52 ..	148.60	17.71	58.68	69.22	325.16	18.62	353.77	27.92	6.31	187.14	5.90	19.42	95.19	11.91
1952-53 ..	181.39	15.95	58.68	61.93	259.02	23.69	292.71	28.03	6.64	133.56	2.85	19.03	89.77	12.83
1953-54 ..	181.39	15.95	52.89	61.93	259.02	23.91	266.72	23.22	9.46	123.31	1.78	19.84	81.58	7.51
1954-55 ..	136.40	7.79	46.52	57.45	232.80	23.62	234.90	23.24	6.10	87.53	1.14	26.55	80.52	9.82
1955-56 ..	106.44	20.68	55.20	36.29	201.28	35.59	197.64	17.21	9.78	66.96	1.73	36.99	49.36	15.61
1956-57 ..	89.13	20.68	53.77	18.31	152.04	91.21	245.02	18.91	5.69	64.77	4.89	85.34	51.82	13.60
1957-58 ..	60.11	19.85	52.46	19.73	143.81	84.36	407.63	23.30	4.81	40.47	32.90	77.91	213.92	14.32
1957-58 ..	57.52	14.10	52.46	19.73	143.81	84.36	407.63	23.30	4.81	40.47	32.90	77.91	213.92	14.32
1957-58 ..	54.61	11.28	81.00	111.38	258.27	84.36	407.63	23.30	4.81	40.47	32.90	77.91	213.92	14.32
Average of Fridays														
August 1957 ..	65.46	7.40	90.60	126.86	290.31	46.20	421.51	30.84	3.38	20.94	31.46	81.90	244.49	8.49
September ..	61.52	7.96	101.67	110.31	271.46	49.15	405.61	36.54	5.99	27.32	42.90	68.80	211.07	12.99
October ..	61.52	7.91	98.04	111.25	269.12	56.59	410.71	26.53	3.04	18.34	49.26	72.21	223.35	17.98
November ..	51.93	8.94	104.79	110.91	277.53	58.06	420.59	33.00	2.28	24.37	41.23	58.22	244.15	17.35
December ..	52.89	8.22	75.00	115.07	255.93	58.52	399.46	14.80	4.78	24.38	36.07	55.13	248.08	16.22
January 1958 ..	57.64	8.22	75.00	115.07	255.93	58.52	399.46	14.80	4.78	24.38	36.07	55.13	248.08	16.22
February ..	54.97	21.36	68.29	114.61	259.22	72.24	416.46	13.88	2.83	31.49	35.40	68.03	248.17	16.67
March ..	54.24	17.59	73.50	113.24	258.56	73.15	416.71	18.12	2.49	33.76	39.20	68.03	239.08	16.04
April ..	50.45	40.99	70.26	116.92	278.62	82.68	446.29	11.56	9.16	67.23	33.55	75.10	245.97	13.74
Week Ending 18-4-1958 ..	52.45	13.09	90.99	116.73	273.26	77.88	436.14	23.99	20.44	42.48	51.17	54.37	230.14	13.54
23-4-1958 ..	53.05	15.64	94.14	112.32	275.15	79.59	439.74	33.06	17.38	39.01	54.72	54.69	227.27	13.60
2-5-1958 ..	40.65	16.12	98.49	111.99	276.25	80.73	441.09	21.23	14.17	58.03	53.11	57.02	224.58	13.55
8-5-1958 ..	53.29	16.73	111.99	112.42	293.43	80.99	450.42	9.41	4.00	73.63	57.53	55.95	244.06	13.94

Industrial Capacity and Production in 1956 and 1957

Mechanical and General Engineering Industries

Name of the Industry	No. of units	1956		No. of units	1957	
		Installed Capacity	Actual Production		Installed Capacity	Actual Production
1. Agricultural Implements (Tons)	61	26,800	16,815	42(a)	20,020(a)	18,000*(a1)
2. Ball Bearings (Nos.)	1	6,00,000	1,040,104	1	600,000	1,595,044(a2)
3. Belting—						
(a) Hair and Cotton (Tons)	7	1,239	814	8	1,569	703
(b) Rubber Ply Transmission and Conveyor (Tons)	9	682	1,679	9	879	1509(a3)
4. Bicycle (Complete) (Nos.)	14	6,52,500	663,969	18	725,000	800,000*(a1)
5. Bicycle Parts (Rs.)	23	Not assessed	1,81,88,436	22	Not assessed	210,45,352(a1)
6. Bolts, Nuts, Rivets and Dogspikes (Tons)	15	34,740	29,964	15	34,630	31,000*(a4)
7. Building & Hardware Fittings (Hinges, Hasps, Staples etc.) (Tons)	18	5,116	3,923	18	5,596	4,500*(a4)
8. Chains (Tons)	2	1,430	132	12	1,430	254(a4)
9. Clocks (Nos.)	3	36,036	21,011	3	36,036	23,072(a4)
10. Conduit Pipes (Rft.)	10	8,136,000	10,931,263	10	8,486,000	11,800,000*(a4)
11. Crown Cork (Gross)	6	3,312,000	3,461,513	6	4,600,000	2,616,015(a5)
12. Duplicators (Nos.)	4	6,240	2,783	4	6,740	3,300*(a6)
13. Expanded Metal (Tons)	4	2,940	2,211	4	2,940	1,200*(a7)
14. Hurricane Lanterns (Nos.)	11	4,042,800	5,179,719	10	3,792,800	4,344,700*(a8)
15. Incandescent Lamps (Nos.)	9	93,600	84,220	9	141,600	92,827*(a2)
16. Laminated Leaf Springs (Tons)	4	5,600	8,786	4	5,700	9,800*(a6)
17. Machine Screws (Gross)	7	1,034,400	1,282,717	9	1,241,000	1,355,000*(a9)
18. Needles						
(a) Hosiery Knitting (Nos.)	1	3,000,000	1,091,363	1	3,000,000	1,320,000*(a10)
(b) Gramophone (Mill Nos.)	1	900	130	1	900	206.5(a10)
(c) Hypodermic Needles (Gross)	—	—	—	1	11,700	2,343(a10)
(d) Sewing Machine (Mill Nos.)	—	—	—	1	3.6	0.4(a10)
19. Razor Blades (Mill Nos.)	5	414.6	265.0	5	614.6	364.0*(a10, 11)
20. Rolling Stock (Railway Wagons) (Nos.)	10	14,560	16,019	8	20,135	18,000*(a10)
21. Sewing Machines (Nos.)	5	50,200	130,388	6	81,200	167,478(a12)
22. Shafting (Tons)	5	1,040	135	5	3,024	800*(a1)
23. Shipbuilding (Boats & Crafts) (Nos.)	22†	14,780	171	21†	14,780	300*
24. Steel Belt Lacing (Boxes)	3	228,000	85,265	3	228,000	100,000*
25. Steel Furniture (Tons)	20	31,968	22,080	20	29,756	20,000*(a13)
26. Steel Pipes and Tubes (Tons)	8	122,784	44,371	8	122,784	77,520(a1)
27. Steel Structural (Tons)	70	142,664	90,500	70	148,056	100,000*
28. Stoves (Nos.)	10	141,000	116,358	10	267,000	106,866(a14)
29. Typewriters (Nos.)	3	33,000	13,420	3	33,000	15,430(a15)
30. Umbrella Ribs (Doz. sets)	4	1,106,250	546,050	5	770,400	684,033(a16)
31. Welding Electrodes (Thousand feet)	3	96,000	187,523	3	112,987	212,741(a17)
32. Wire Products—						
(a) Gauge (Tons)	7	1,500	629	7	1,825	700
(b) Netting (Tons)	3	684	960	5	1,104	1200
(c) Chain Link Fencing (Tons)	3	600	140	3	600	150
33. Wire Ropes (Tons)	1	3,000	743	1	3,000	1118
34. Wood Screws (Gross)	21	5,335,600	7,502,191	22	5,824,22	8,340,000(a18)
35. Zip Fastners (R. Ft.)	4	8,320,000	842,459	6	10,570,000	1,635,269

Brief explanations for appreciable fall or rise:

- (a 1) Increase in demand.
(a 2) Implementation of expansion project.
(a 3) Production based on returns received from 7 units only.
(a 4) Revised capacity for 1957.
(a 5) Revised capacity for 1956 and 1957.
(a 6) Better demand.
(a 7) Fall due to curtailment of steel quota.
(a 8) Fall due to curtailment of tinplate quota.
(a 9) Rise due to more units coming into production.
(a10) Rise due to increase in demand and restriction on import.
(a11) Implementation of expansion schemes.
(a12) Rise due to increase in demand and No. of units.
(a13) Fall due to curtailment of tinplate quota. Capacity for 1957 revised.
(a14) Expansion schemes materialised.
(a15) Foreign Exchange difficulties.
(a16) Increase in demand and No. of units. Revised capacity for 1957.
(a17) Due to import restrictions more demand is to be met.
(a18) Increase in demand and No. of units and implementation of expansion schemes.
(a) Due to the bifurcation of this industry into two different industries namely (a) Agricultural Implements and (b) Agricultural Machineries the number of units as well as the total installed capacity indicated against Agricultural Implements for the year 1957 are less than what were indicated for the year 1956.
† This includes 8 and 7 ship repairing firms during 1956 and 1957 respectively.
* Provisional figures.

Source: Annual Report of the Ministry of Commerce and Industry.

Industrial Capacity and Production in 1956 and 1957

Name of the Industry	Accounting unit	No. of units	1956		No. of units	1957	
			Installed capacity	Actual Production		Installed capacity	Actual Production
1. Coated Abrasives(a)	Reams	4	180,000	98,992	4	190,000	85,148
2. Grinding Wheels	Tons	3	1,750	1,112	4	1,870	1,452b
3. Machine Tools	Value & Nos.	18	Rs. 3.9 crores	Rs. 1,08,18,455	18	Rs. 3.9 crores	Rs. 2,35,61,894*c
(i) Complete	—	—	—	Nos. 3,016	—	—	Nos. 4,029*
(ii) Accessories	—	—	—	Rs. 12,04,224	—	—	Rs. 18,83,042*c
				Nos. 15,418			Ns. 18,386*
4. Small Tools/ Hand Tools —							
(i) Threading Tools	Nos.	5	450,250	113,518	5	450,250	105,593 d
(Tapes, Dies and Chasers)							
(ii) Twist Drills	Nos.	2	1,842,000	1,549,564	3	3,042,000	2,258,148 e
(iii) Milling Cutters	Nos.	7	45,300	19,618	9	81,280	58,165 e
(iv) Reamers	Nos.	7	71,950	21,180	8	97,695	45,968 e
(v) Hacksaw Blades	Gross	2	126,000	4,714	3	158,000	9,796 e
(vi) Bandsaw Blades	R. Ft.	1	9,000,000	328,835	1	9,000,000	243,712 e
(vii) Tungsten Carbide Dies	lbs.	1	1,200	159	1	2,016	534 f
(viii) Steel Files	Doz.	5	468,000†	154,480†	5	288,000	210,157 c

Brief explanations for appreciable fall or rise:

- (b) Better off-take and increase in No. of units.
(c) Better off-take.
(d) Fall due to strike in one of the biggest units for four months.
(e) Increase in capacity and No. of units.
(f) The firm has got over their teething troubles.
* Provisional.
† 468,000 Doz. is sanctioned capacity of steel files, actual installed capacity is the same as shown for 1957.
(a) Improvement of quality of coated abrasives through modernisation of plant by one of the units have resulted in increase in prices of their products and consequent fall in production.



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The Eastern Economist

XXX. NO. 25.

NEW DELHI: JUNE 20, 1958.

ONE RUPEE

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The Dock Strike

Port and dock labour strike, which started at the midnight of June 15 at the major ports first dock strike to take place simultaneously on all-India basis. It started not only according to schedule but the execution was even more thorough than contemplated. At Bombay there was a surprise lightning strike of 500 shore crew five hours in advance of zero hour. This was a stray breach of the strike notice due to negligence on the part of labour. It was a calculated blow to forestall the attempts of the Port authorities to handle forty ships which were to leave or enter the port before the fateful night. The All-India Port and Dock Workers' Federation, without waiting to watch the course of developments in the strike situation, addressed a direct appeal to the International Transport Workers' Federation to boycott all ships which could be diverted from Indian ports. This was another step which it took to carry the parallel to perfection.

The Federation, however, cannot justify its action on the score that emergency was declared at Bombay port at the commencement of the strike. Food grain ships and ships carrying essential cargo, indispensable for the life of the economy, were awaiting clearance and more of them were expected in the immediate future. The

Federation's claim that it was driven to the extremity of declaring a strike would have gained some force and it would have earned the sympathy of the nation, if it had made an exception at least in the case of this class of cargo and instructed its members to clear it. If emergency is not to be declared when the community is thus held to ransom, it obviously ceases to have any utility.

The rights and wrongs of this issue and the responsibility for precipitating the crisis need to be fully appreciated. The last-minute efforts, which were made to avert the strike, should serve to disclose whether the Federation's terms for calling off the strike were really intended to achieve this purpose. It insisted that port labour's demand regarding provident fund and gratuity should be conceded forthwith and local demands should be settled within four days. In case of failure to reach a settlement on the latter, the dispute should be referred to arbitration by a special committee composed of equal members of the port authorities and labour with a chairman approved by both the parties. Three of the six major ports, it cannot be forgotten, are under direct Government administration and any concessions in provident fund and gratuity that would be granted to them would necessarily produce re-

percussions on the 5.5 million employees of the Central and State Governments. They cannot be ignored which means that the question can be decided only after careful and exhaustive examination. As for the local demands in the three major ports governed by the Port Trusts, labour had to come to a settlement directly with the authorities and Mr. Patil promised his personal services in this settlement, if necessary. There could, therefore, be no question of deviating from the prescribed legal machinery. Legislation cannot be disregarded even under pressure.

As we go to Press, Cochin labour has called off the strike. This is heartening. It is to be earnestly hoped that the remaining ports will follow suit without delay. The happy turn at Cochin is not without its own explanation. The Communist Government is responsible for law and order in Kerala. Communist controlled trade unions, which account for the overwhelming majority in that State, have been scrupulous not to embarrass the government of their own party. The severe setback which the AITUC received at Jamshedpur is probably responsible for the absence of excessive enthusiasm on the part of the Communist sector of the Federation in the present strike. But it would be rash to speculate with confidence on the course of the strike once the forces inherent in it are let loose. All that can be done is to hope for the best—for a speedy termination of the strike. The strike, however, has created a grave situation for the nation and its economy. What ulterior purpose can be achieved, if it is prolonged, has unwittingly come from Mr. S. A. Dange who, while foisting responsibility for the strike on the Government, has asked it to ponder over its consequences on the second Five-Year Plan.

The Federation has persisted tirelessly in its propaganda and has attributed the strike to Government's "inaction". It has alleged that the delay that is being taken to settle the dockers' demands is due to "inaction". It cannot be forgotten that this is unavoidable on account of the

Dreadful Disclosures

THE Mudaliar Committee's report on the state of affairs in the Banaras Hindu University makes shocking revelations. The promulgation of the ordinance by the President to make radical amendments to the Banaras Hindu University Act was the only logical step that could be taken in the situation. The appointment of the *ad hoc* committee to clean up the university administration was also an essential urgent step. Headed by Dr. A. L. Mudaliar, Vice-Chancellor of Madras University, the Committee was appointed by the President last year in his capacity of Visitor of the University. It was to investigate into the causes of students' indiscipline. The Mudaliar Committee received about 100 memoranda and examined 74 persons including ex-Vice-Chancellors, present and former members of the Court or the Executive Council, Principals and members of staff of colleges, representatives of students' organisations, the teachers' union, the Mazdoor Association, some prominent citizens of Banaras and such other persons as desired to offer their views.

Owing to the large and increasing number of students admitted year after year, there is not enough accommodation for all the students in the glass-rooms. Nor is there sufficient space in the laboratories for them. The hostels are overcrowd-

highly complex classification of port and dock labour based on the nature of work as also on account of the existence of two distinct authorities governing labour—the autonomous Port Trusts in Bombay, Calcutta and Madras and the responsibility of Central Government with regard to Cochin, Kandla and Visakhapatnam. The likely conflict between the terms of remuneration which the Government may offer in the three ports under its direct administration and those which the Second Central Pay Commission may recommend is another factor that needs reckoning. No decisions can be imposed by the Government on the Port Trusts irrespective of their genuine difficulties in accepting them. The categories and grades of workers are so ramified and numerous that even the fairly exhaustive Choudhury Report had to rest content with prescribing pay and allowance scales for "test posts". The complete schedule of scales covering the entire labour necessarily requires time to prepare.

Many of the grievances of port and dock labour are undoubtedly genuine. They have been vindicated by the Choudhury report. Government has given a solemn undertaking that its decisions on its recommendations will be finalised and consultations will be held with the trade unions on July 17 for essential changes, if any. It is certainly significant that the Federation has offered no explanation at all as to how labour's interests would suffer if it showed patience for only four weeks. Government has stuck to its decision to give a fair deal to labour in spite of the latter's ill-advised action. However, Government cannot be hustled by pressure of direct action. It has therefore no alternative but to adopt a firm attitude in dealing with this unwarranted strike. Otherwise it will be putting a premium on recklessness of trade union leadership which has misguided labour to indulge light-heartedly in a strike that has paralysed the nation's already strained economy. Its proximity with the strike at Jamshedpur cannot be ignored.

ed; and overcrowding has become so chronic that teachers are unable to control the classes or keep watch over the resident students. The position of law and order there is too chaotic. "One aspect of life in the University which has been revealed by the Divisional Commissioner", the Committee regretfully remarks, "is far more surprising than any one of the acts of indiscipline. He has referred in his memorandum to students visiting houses and lodges of disrepute and to certain students being associated with these. He has also mentioned about certain teachers committing offences involving moral turpitude". It was "painful reading" for the Committee to go through these "unvarnished facts and the members do not see any reason to discount the statement made. In the evidence tendered by more than one person, charges and imputations of immorality in the University have been made and a case of unnatural offence involving a Professor is stated to be before a court of law". In fact, everything in the University is so criminally mismanaged that it will be no exaggeration to describe this seat of learning as a "cesspool of corruption, jobbery, nepotism and moral turpitude".

On the basis of "irrefutable evidence from diverse sources", the Committee concluded that the real cause for this scandalous state of affairs

lies in the "teacher-politicians and the formation of groups which dominate in all affairs of the University... (and) whenever it is felt by this group of teachers that there is a certain amount of unrest amongst the students they act as agent-provocateurs". The selection of teachers is not made on merit, but with a view to establishing a greater hold on the University administration, which the Committee characterizes as "in-breeding in the selection of teachers". In the examinations, too, it is not so much the performance of the student as the part he has played in propitiating some of the powerful members of the pressure groups that ensures his success—and not infrequently his rank in the University. In certain professional examinations, the students are "practically at the mercy of their teachers so far as success in the examination is concerned". To achieve this detestable objective, only those persons are appointed external examiners "who would be more inclined to support the internal examiners than to express their own independent opinion".

The Committee was also "shocked" to find that "the principals of colleges distribute their patronage among the staff in objectionable ways. They generally act in a very undignified and autocratic manner." The staff members have to toe their line if they wish to continue an undisturbed existence and to ensure their future advancement in life and profession. This has been made possible by concentration of power in an increasing measure in recent years notably amongst Principals who are also Chief Wardens. The Committee also did not spare the University Court and the Executive Council for gross dereliction of duty which has resulted in the control of the Banaras Hindu University by "undesirable elements".

The Mudaliar Committee's short-term pro-

Murder of Imre Nagy

THE announcement, which came significantly from Moscow, of the execution of Mr. Imre Nagy, Prime Minister of Hungary during the October uprising, his Defence Minister, General Pal Maleter, and two others, after a "secret trial", can be described only as an act of brutal political murder. Though it was a People's Court Bench of the Supreme Court of the Hungarian People's Republic which is made out to have passed the sentence, there cannot be any doubt which hand really held the dagger. The Red Army kidnapped Mr. Nagy and his two companions after giving them and the Government of Yugoslavia a solemn assurance of safe conduct; the very heroic Red Army it was that arrested General Maleter at a "white flag" meeting held supposedly for negotiating the withdrawal of Soviet forces from Hungary. They were reportedly removed to a prison in Bucharest. That the announcement came from Moscow makes it plain enough that there was a deliberate design behind the execution. Who can forget that, a few days after their abduction, the new Soviet-installed Hungarian Premier, Mr. Janos Kadar, while violently condemning Mr. Nagy's policies, pledged: "Despite his grave deeds, we plan no criminal proceedings against him and we will keep that promise?" The hush manner in which the trial and executions have been carried out also suggests that the Communists were aware of all this and laboured hard to conceal it. This time they do not have even the traditional "confessions" of the accused to enable them to rationalize the Soviet crimes.

The "crime" of the four martyrs, according

posals have been embodied in the ordinance issued by the President. The most important of these proposals relates to the appointment of a "screening committee" responsible for specifying those employees whose continuance in office is considered detrimental to the interests of the University. Besides, what is needed is the reduction in the number of students to manageable proportions, allocation of seats in the University to various States, election to the various University bodies on territorial basis and the appointment of the selection committee on an all-India basis.

It is a pity that the institution which has exhibited such degeneration is a Central responsibility: Banaras University is one of the four Central universities. Far from being a model, it has proved to be a typical example of scandalous administration. It cannot, however, be denied that some findings of the Mudaliar Committee in respect of the Banaras Hindu University have a familiar ring. There is hardly any university in the country where student-indiscipline is not rampant; where teachers do not indulge in politics for self-advancement; where politicians do not exert their harmful influence; and where academic standards have not declined steeply since independence. This is obvious from a passage in the Mudaliar Committee report: "It has also been represented to us that in the all-India conferences held on various subjects, where teachers are sent as delegates, much lobbying takes place in regard to examinations and suitable names are thereafter suggested from the Universities concerned so that, on a mutual benefit process, examiners may be appointed by the different Universities". In view of this, it will be in the nation's interest if the Government appoints a commission to investigate into the working of all the universities before conditions deteriorate fast.

to the official Tass report, was their "revisionist, bourgeois, nationalist political views" which led them into an "alliance with the ultra-imperialist forces of the international bourgeoisie and a betrayal of their Socialist homeland". Could it have been put more clearly in Soviet semantics that Mr. Nagy and his associates were only guilty of an attempt to give freedom to the Hungarian people? And there is neither documentary nor circumstantial evidence to suggest that they were in alliance with any outside power. The unanimous report of the United Nations Special Committee on Hungary has also categorically rejected the Russian contention that they were. On November 11, 1956, that is, one week after the brutal suppression of the Hungarian people's revolt, Mr. Kadar stated: "I, as a Minister in Mr. Imre Nagy's Government, must openly state that to the best of my knowledge neither he nor his political group meant knowingly to support the regime of counter-revolution". The murdered patriots were valiant fighters for freedom. They sought independence for their country, to the great discomfiture of the modern Czars in the Kremlin. Otherwise, they were not only Communists by faith and conviction, but were also by no means averse to retaining close relations with Russia. They demanded the abrogation of the Warsaw Pact because it limited and circumscribed the sovereignty of their country.

The announcement of the fate of Mr. Imre Nagy and his compatriots came on the eve of the fifth anniversary of the East Berlin uprising. This could be a coincidence, or intentional move

to terrorise the peoples of the Russian Empire in East Europe. It indicates that Mr. Nikita Khrushchev, having cleared the Russian scene of all possible opponents, including the so-called Stalinists, now feels secure enough to start clearing out all possible anti-Russian elements in the empire. The murder is, indeed, a political demonstration of his power and intention to maintain hegemony over Eastern Europe at any cost. Not only has Mr. Khrushchev denounced Yugoslavia as the "Trojan Horse" of Communism; Peking's *People's Daily* too has hailed the executions as "glad tidings" and warned Yugoslavia not to follow the path it has taken. Simultaneously the old discredited and denounced Stalinists are staging a come-back in the various parts of the Russian Empire. In Bulgaria, Mr. Vanno Chervenkov, who was relegated to obscurity after Mr. Khrushchev's famous broadside against Stalin in February 1956, is now back as a member of the politburo in that country's Communist Party. Pressures are also believed to be developing against the Polish Party's Secretary, Mr. Wladyslaw Gomulka. It may soon become increasingly difficult for him to steer a middle course between

Russia and Yugoslavia. In Rumania, the position of the Prime Minister, Mr. Gheorghe Gheorghiu-Dej, who has toyed with "revisionist" ideas, is also said to have become vulnerable. A tough line against the West seems to be a natural corollary of this broad and consistent development. It was the relaxation of international tension which had bred Titoite "revisionism" in Eastern Europe, with the loosening of ties with Moscow as the cardinal principle.

The cynical contempt with which world opinion has been treated by the Kremlin in the present instance may not be missed even by those Asians who tended to treat somewhat leniently—perhaps because of the equation made apparent by the almost simultaneous Anglo-French action against Egypt—the sad and tragic events in Hungary in October 1956. The murder of the Hungarian patriots is not a wayward act of petty revenge. It is a cold-blooded demonstration of a fundamental change of policy. The executions speak clearly that the 1956 thaw had melted only a small area of the surface of the Cold War iceberg.

The Mask Wears Off

IT was not long ago some credulous non-Communists in the country believed that the Communists had cultivated a healthy mental approach to the rules of the game in a parliamentary democracy. This credulity has just been shaken, may be for the better, by that high-priest of "constitutional communism" in India, Mr. Sankaran Namboodiripad, who recently expatiated at Trivandrum on what he thought should be the proper role of the Opposition in his State. There was an appeal mixed up with a warning in what the Kerala Chief Minister said.

The appeal was that the Opposition parties might cultivate "an attitude of mutual criticism and mutual struggle with a view to mutual correction in the interests of the nation as a whole". The most charitable construction on this could be that Mr. Sankaran Namboodiripad expected the Opposition to display an attitude of responsive co-operation towards the party in power. If he had meant this without forgetting at the same time that it was a legitimate function of the Opposition in parliamentary politics to oppose the party in power and form, if possible, an alternative government by democratic means, the appeal would have at least been understandable.

But the Kerala Chief Minister did not stop at what would have been a statesmanlike point but warned in the same breath that if the Opposition parties persisted in their anti-Communism, there would inevitably arise a situation in which the two contending groups would be forced to embark on a policy of mutual annihilation leading to a national tragedy like the protracted civil war in China. The warning was ominous because it implied a threat of civil war if the Opposition did not give up their plank of anti-Communism. Quite apart from this implication, there was the insinuation that anti-Communism was a purely negative phenomenon because its aim, according to the Kerala Chief Minister, was to destroy the Communists. The insinuation was totally unfair and uncalled for because, even if it had been assumed there were no other positive ingredients in anti-Communism, there was indubitably the positive component of a democratic faith in the preservation of constitutional freedoms to the

point of guaranteeing them even to a basically undemocratic party like the Communist.

By no stretch of imagination can it therefore be said that a threat to annihilate the Communists is implicit in the attitude of an anti-Communist united front such as the one taking shape in Kerala. If anything, the boot is on the other leg because the threat of annihilation (liquidation in Communist parlance) of non-Communists who would not agree to collaborate with the Communists or be assimilated by them is implicit in Mr. Namboodiripad's ominous reference to the possibility of a civil war as in China. Whether the reference was intended as a sort of political blackmail for the purpose of achieving a bloodless victory or as a serious threat of civil war, there can at least be no doubt it is an eloquent expose of the essentially undemocratic character of the Communist mind and of its incapacity to readjust itself to a democratic-constitutional milieu. No better justification than this would be required for the anti-Communist attitude of democratic parties.

Even if this justification were not there, it would be difficult to ignore the elementary tactical consideration that if the Communists could join forces with any and every group when they are not in power, non-Communists and anti-Communists could also do likewise when the Communists are in power. Surely it cannot be that opportunism becomes a virtue when the Communists resort to it but a vice when democratic parties have necessarily to come together. The latter's opportunism, if it can be so called, is any day of a higher order if only because it is rooted in a common faith in the preservation of certain basic democratic values and liberties.

These values and liberties are now an organic part of India's political life and they represent a combination of tradition and new acquisition. If the Communists continue to think in terms of what happened in Russia or in China, it could only mean they are incapable of thinking in terms of India and of her objective conditions. The Kerala Chief Minister's statement, again, could only lead to the conclusion that the Amritsar mask of the Communist Party has begun to wear off.

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THE WEEK'S NOTES

TROUBLE IN THE LEBANON

THE UNITED NATIONS Security Council has decided to send observers to the Lebanon. The decision was taken after the Security Council heard the Lebanese complaint of "massive and unwarranted interference in her internal affairs" by the United Arab Republic with a view to "subvert the Lebanese Government by external pressure and intrigue within the country". The Lebanon's Foreign Minister, Dr. Charles Malik, charged that the United Arab Republic had fomented and abetted the revolt and helped the rebels with arms and ammunition. He also alleged that the Republic was gun-running in the Lebanon and thus infringing its sovereignty. As was to be expected, the United Arab Republic has flatly denied the charges and attributed the rebellion against the Lebanese Government to the repressive policies of the ruling group — its attempts to amend the constitution to ensure another lease of life for itself and bitter popular resentment against its pro-Western alignment. There does seem to be some truth in this. Opposition to President M. Camille Chamoun's regime emanates not only from the 400,000 strong Arabs, but also from the religious leaders of the as many Maronite Christians who are doubtful of a policy based on force and terror; in addition, the small but powerful Druze sect too, which stands between the Muslims and the Christians, has decried Mr. Chamoun's regime. However, it is difficult to accept the United Arab Republic's reply at face value. Its involvement cannot be in doubt, considering the sort of propaganda which is being carried on in its controlled Press. It cannot also be denied that, at least for the present, the personal ambitions of President Nasser coincide with the popular wishes of the Arabs. He would not be human if he did not utilize such a situation to his advantage.

When all this has been said, though, it needs to be emphasized that it would not be wise to put more pressure on President Nasser than is actually necessary to enable him to pull himself out of the unsavoury situation without loss of face or prestige. Any other course would only tend to aggravate the situation. Anti-Nasser tirade could easily drive him into the all-too-welcoming arms of the Russian bear. It might also be useful to remember that if the turmoil takes a serious turn, it might interrupt the flow of oil to the free world, especially Western Europe. Besides, the strategic importance of the area cannot sufficiently be emphasized. In these circumstances, it would be extremely un-statesmanlike for the free world to try to establish the United Arab Republic's involvement in the Lebanon just to score a point against President Nasser. In the last analysis, this would be tantamount to cutting one's nose to spite one's face.

A WORTHWHILE SCHEME

ACCORDING TO a recent report, the Government of India have approved of a scheme which has the twin merit of relieving educated unemployment and also expanding primary education. The second Plan itself has recognized the magnitude of the problem of educated unemployed and has estimated that besides the 5.5 lakhs at the beginning of the Plan, during the Plan period another 14.5 lakhs of educated persons will be added to the labour force. After estimating the possibilities of gainful employment in the Government projects and in the private sector, it was found that the size of the problem would be substantially unchanged during the period of the Plan. Some months back a survey undertaken by the Man Power Division of the Directorate of Employment Ex-

changes, Ministry of Labour and Employment, gave a gloomy picture of the incidence of unemployment among the educated which was highest in Kerala followed by West Bengal, Uttar Pradesh, Bombay and Delhi. The survey only covered those graduates who had registered themselves with the Employment Exchanges in the country and of the total 60.4 per cent registered for clerical jobs, 19.5 per cent for professional and technical jobs and the rest for administrative and other types of jobs.

It may look odd that with a high magnitude of unemployment among the educated, there should be slow and painful progress in the matter of primary education. The Constitution had enjoined in the Directive Principles of State Policy that the State shall endeavour to provide within a period of 10 years from the commencement of the Constitution for free and compulsory education for all children until they complete the age of fourteen. At the present stage of progress, it will be hardly surprising if even by the end of the third Plan, the goal remains unattained. It is in this context that the Central Government's proposed scheme should be considered. Under it, 60,000 teachers will be appointed during the next three years beginning from 1958-59 and these teachers will be utilised mainly for opening Junior Basic or primary schools in school-less villages. The total population of students under the age-group 6-14 at present is estimated at 739.45 lakhs of which 445.43 lakhs are outside the schools. This should at once set the problem of getting adequately-trained teachers to the required extent in the proper perspective.

The merit of the Government scheme is that for the first three years the Centre will bear the full cost of assistance which will be about Rs. 14 crores and this will not in any way affect the programmes which the State Governments are to undertake under their second Five-Year Plans. Even then it is a moot point as to how far it would go in fulfilling the Directive Principle in regard to free and compulsory education. It is also essential to take note of one or two difficulties in the implementation of the scheme. One is after the expiry of the period of three years for which Central assistance will be available, the entire responsibility for continuing the service of these teachers and inspecting officers will be borne by the respective State Governments. This will certainly impinge heavily on the State finances when even as it is, the State Governments are hardly in a position to improve the salaries of the school teachers. Another important pitfall to be guarded against is the deterioration in the standards of education. There is often the criticism that this deterioration is due to the ill-equipped teachers who take to teaching in the absence of any other source of employment. Since primary education is the source of all further education it is necessary to ensure that it does not remain weak and hence it must be made to attract the proper type of men. This obviously means improving the salary of the primary teacher even though it would mean slower progress in advancing primary education.

UTOPIAN AND IMPRACTICAL

THE RESOURCEFUL Communist Chief Minister of Kerala has recently been indulging in a number of provocative statements. The latest one is his plea that the highest salary of a Government official should not go beyond Rs. 1,000. His argument is that at the present stage of development, the nation cannot afford such high scales as exist at the Centre and so with "some adjustments" for technical experts, the ceiling of Government servants' salaries should be fixed at Rs. 1,000. There is of course nothing new or startling in this thesis.

The only strange thing is that in spite of the fact that its hollowness has been so often exposed, it should again be trotted out under some pretext or other. It is clear that the intention is more often to divert people's attention to some imaginary grievance and thus cloud judgment on some of the real pressing issues.

The demand for a ceiling on salaries is just a propaganda piece on a par with the demand for ceiling on income. The latter demand has been raised in some form or other in Parliament several times and every-time the suggestion has been rejected for the simple reason that it is impractical and will not do the trick in ushering in the long-awaited millennium of a classless society. The fact is that with the evolution of public finance, in effect the so-called disparities in income have ceased to be abominable and dreaded. Egalitarian taxation has levelled down to a considerable extent the riches of the top-income brackets in advanced countries like England, and this process is inevitably working through in this country also. As for Government servants even at the top level, already there is visible the effect of disincentive since compared to what is obtaining in the private sector the showing does not seem to be so good. It is not uncommon that after superannuation many a Government servant is lured into the private sector by a higher salary. In the face of this, if any kind of ceiling is to be proposed for the salaries of Government servants, it is bound to affect the future recruitment of men of calibre for Government service. At a time when the public sector is vastly expanding, any such move will have nothing but disastrous effects on morale and efficiency.

Here, it will be interesting to know that after nearly forty years since the Revolution, the disparities in income in Russia are so stupendous that it cannot be contended that the classless society is any near in sight. This is what John Gunther has to say in his 'Inside Russia' on this subject. "A point not at all appreciated outside Russia is that a substantial number of Soviet citizens get large salaries. What might almost be called a millionaire class has grown up, composed mostly of writers, who earn royalties, musicians, scientists and inventors." He also points out how while the guaranteed minimum wage for a worker is 300-500 roubles per month, "a sum on which a worker is barely able to live", the salary of a senior Government official is 6,000 roubles per month. Russia has provided the shining example to Communists in our country in several respects. Why does the Kerala Chief Minister turn a blind eye to these facts? The answer is not difficult.

TOWARDS SAFER RAILWAY TRAVEL

RECENT RAILWAY accidents, which have come in rapid succession, at last seem to have set the high-ups in the Railway Ministry thinking. It is apparently becoming more than ever clear that even the slightest negligence of a single person can result in much havoc and take a heavy toll of lives. Hence it is necessary that a high level of discipline should be insisted at all levels of railway service. The first step, obviously, must be elimination of red-tapism in matters connected with the safe running of the trains. With this end in view, an effort has been made to strengthen the hands of the Zonal Railway Authorities to deal with those accused of negligence of duty. A directive, according to a recent report, has been issued by the Railway Board advising General Managers of all Zonal Railways to exercise "summary powers" for removing from service those who are held responsible in such cases. There is obviously no case for showing any leniency and unless the punishment given is adequate and fairly swift, it will be difficult to impress on the staff that they must treat their duty with the requisite seriousness. During the current calendar year, five cases of accidents of passenger trains involving heavy casualties have occurred. Statutory enquiries in all the five cases have established the guilt of nine persons who failed to observe

the well-established rules laid down in meticulous detail in connection with the safe running of the trains. One station-master, two assistant station-masters, four pointsmen, one engine driver and one fireman have thus been suspended.

Negative action alone, however, will not prove very effective and it would appear that the directive has suggested other positive methods to ensure safety in travel. This would mean that there should be an efficient arrangement for the inspection of the track and the rolling stock. Greater interest evinced by senior railway officers in the work of the junior staff and discountenancing any form of leniency and softness, promoting personal contacts among employees of all grades for increasing the sense of responsibility and providing relief to the over-worked supervisory staff would all go to a considerable extent in raising morale and lead to better work. Finally, of course, there is the need for strengthening the training and refreshing courses.

EMPLOYEES' STATE INSURANCE

EVEN AFTER eight years of operation, it cannot be claimed that the Employees' State Insurance Scheme has come into its own. Probably the only successful aspect of its working has been Section 73A of the Employees' State Insurance Act, which provides for payment of contributions by employers at a rate determined by the Government. When the pilot scheme under the Act was introduced in February, 1952, in Delhi and Kanpur, the Government fixed the rates of employers' contributions at 1½ per cent of the wage bill for areas where the scheme was in operation and ¾ per cent of the wage bill for areas where it was not. Although the latter was a queer form of taxing, employers submitted themselves to it in the larger interests of the country and in the hope that the scheme would be extended to their areas also soon enough. From time to time, officials in charge of the scheme kept on talking of 'phased implementation' and even indicated a sort of time-table. Thus, they promised to extend the scheme to all the industrial areas of Calcutta by 1954. But, when it came to actual implementation, the scheme was made applicable only to Calcutta Municipal and Howrah areas, which means that a major portion of the Greater Calcutta industrial area still remains outside the purview of the scheme.

It may be unforeseen difficulties have delayed the implementation of the scheme, although, making allowances for all extenuating circumstances, one cannot but describe the delay that has taken place as unduly inordinate. In the circumstances, one expected the authorities would suspend further collections of the levy at least until such time that the scheme was actually enforced. Not only has this not been done, but, on the contrary, recently, there were even suggestions to enhance these rates, as though to add insult to injury! But seeing the hostile reactions to this latter suggestion from almost every quarter, or perhaps feeling unable to justify such action when large funds have accumulated and are remaining unutilised, the authorities have thought it wise not to take the suggestion seriously.

Meanwhile, contributions continue to be made. In the case of one jute factory alone, a sum of over Rs. 2½ lakhs is stated to have been paid by way of such contributions during the past few years. Besides making these contributions, the industrial concerns in these "non-implemented" areas have also to continue to spend on medical aid and other amenities to their workers which are all supposed to be met out of the contributions to the scheme. Surely, there ought to be some limit to all such avoidable double expenditure. And the steadily swelling stream of protests against the continued insistence on these contributions without extending the scheme suggests that that limit has evidently been reached.

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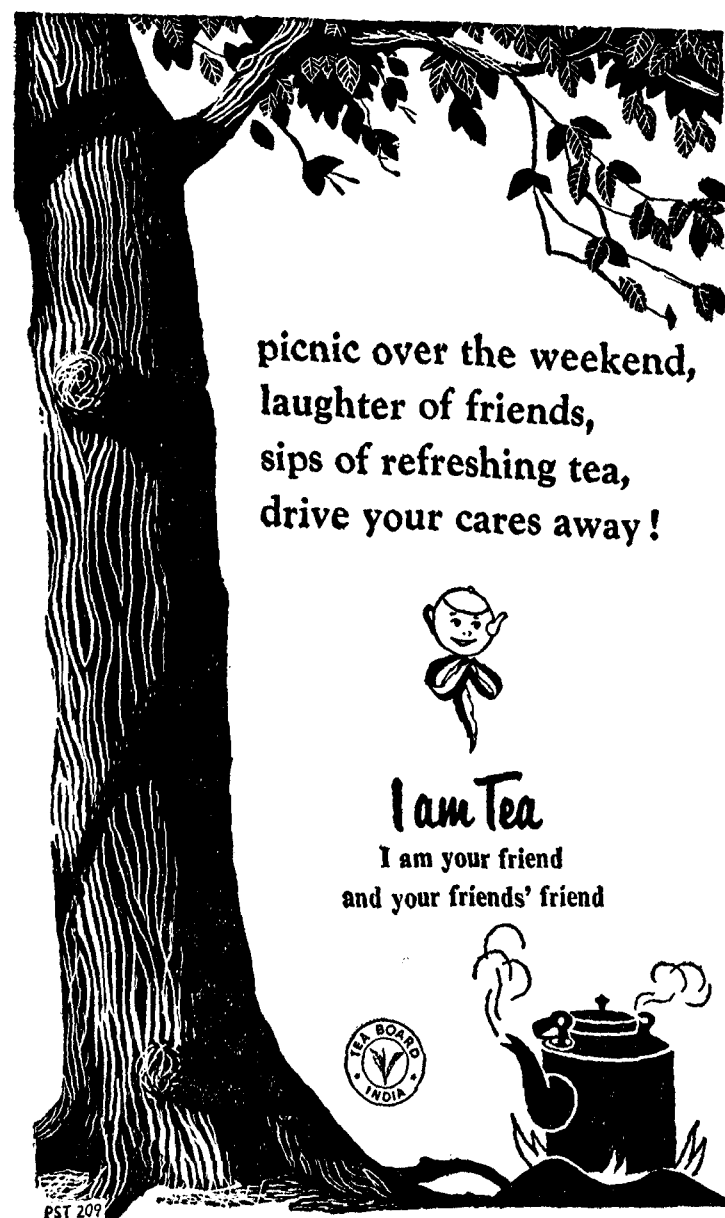
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age improvidence. People want to save for themselves and their children, not in order to have nine-tenths or more of their earnings taken from them in taxes. You increase savings by giving the citizen incentives to work hard to increase his income. You then get a production-orientated economy. If you teach the citizen to look to the Hand-out state for higher pay, shorter hours, longer holidays, bigger social benefits, and if you encourage political leaders to compete with each other in debauching the electors by ever bigger distribution of largesse, you create a consumption-orientated economy, and saving will be harder and harder to raise.

PEP notes that although consumption has not been held down enough in the U.K., between 1948 and 1956 expenditure on personal consumption did not rise as rapidly as the gross national product, thus leaving room for the increased shares which have gone to defence and to fixed capital. PEP does not speculate on the extent to which this may have been due to the Conservative government's successive tax reductions, which leave £900 millions a year more in the pockets of the tax payers. The Labour Party's plan for national superannuation links present sacrifices to security in old age; in theory present savings would provide funds for investment to create the wealth needed to pay out pensions in the future. But there are two profound objections to this which PEP does not mention: first, government pension schemes in all countries have al-

ways started off with conscious actuarial rectitude, but the prospect of bribing the voters with bigger and better benefits soon throws the actuaries out and places burdens on the tax payer that multiply at a frightening annual rate. The U.K. National Insurance Fund is supposed to pay for itself. In 1957-58, the fund had a surplus of a mere £7 millions over expenditure. In the current year this surplus becomes a deficit of £14 millions, and the deficit is calculated to rise at such a rate that within 20 years it will total £475 millions a year. Secondly, a truly dynamic state has no use for millions of cautious clerks looking forward all their lives to retiring on comfortable pensions; it seeks a nation of venturesome citizens, ready to take risks, to seize opportunities to pull themselves up by their own chupli- straps from obscure beginnings to glittering summits. If Queen Elizabeth I's England had been a welfare state, Sir Francis Drake, his children born in a state maternity home, educated at the public charge, and found save jobs in nationalised industries, with automatic wage rises in accordance with the cost of living index, would never have signed the Spanish King's beard nor sailed round the world. England would today be playing no greater part in the world's affairs than Finland. If India had been a Socialistic patterned state in the eighth century, Indian adventurers would never have founded kingdoms in Indo-China, Java, Siam, and elsewhere, nor have spread Hindu culture over South-East Asia.



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laughter of friends,
sips of refreshing tea,
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PST 209

PROSPECTS FOR THE FIFTH REPUBLIC

(From Our Special West European Correspondent)

PARIS, June 14.

THE de Gaulle Ministry is in office until the end of 1958, when the General has contracted to hand back the Republic to the political parties. It is quite possible, of course, that at the end of 1958 one of those parties (and perhaps the most favoured of them) will be a Gaullist party. That is to say, there is no certainty that the end of the six-month mandate will mark the effacement of de Gaulle; but if the General is still in office next year it will be on very different terms and conditions from the present. It is even theoretically possible that the constitution that is to be submitted to a referendum in October (or September) could contain only one clause: "De Gaulle is everybody's Big Brother"—and if the French people could be brought to endorse that "constitution," then France would have chosen a plebiscitary dictatorship (as she has done before). When that thoroughly improbable event occurs, it will be time to talk about dictatorship, fascism, totalitarian government and the rest. Meantime it is more important to notice that the Gaullist regime shows very few departures from democratic practice and there is no reason to believe that this situation will change between now and the referendum.

The suspension of open parliamentary debates for some months does not constitute such a departure; the "holiday" that the Assembly has voted itself is in fact shorter than the normal interval between sessions in many parliamentary democracies and shorter than the recesses that frequently occurred under the Third Republic. (Under the Third Republic the Assembly used to be in session only five months of the year, against seven under the Fourth Republic.) And even though the Assembly does not meet, its committees will be in the almost permanent session throughout this recess; they are being regularly consulted by the executive. The association of non-elected persons with the Ministry does not amount to such a departure either. Seven out of 21 ministers are non-parliamentarians but this proportion is not unusual, and only approaches the situation in democracies where the executive is separated from the legislature (e.g. the U.S.A.). Party politics is by no means in abeyance at present; the parties are all represented in the Ministry (except the Communists who never were anyhow and who probably could be if they consented). The limited regime of government by ordinance is not unknown (even in India). Civil and syndicalist liberties are guaranteed and in fact the new regime has begun by removing several restrictions enforced under the parliamentary regime: removal of the censorship, release of political prisoners and freedom for defence lawyers. More important even than the formal distinctions between democracy and dictatorship are the moral tone and the spirit of the regime; and here there is no doubt that the Gaullist interregnum is farther from dictatorship than many formal democracies.

To insist on these corrections to the sentimental opinion that French democracy is already dead is not to suggest that the present Gaullist administration is satisfactory or without danger. But its virtues and defects are not to be judged against the imaginary standard of some ideal democracy but against the actual performance of the parliamentary regime in

France. And that performance was deplorable from every point of view. The opinion of dogmatic libertarians that it is preferable to persist in the worst and most hopeless form of party politics rather than seek the aid of authority and personal prestige is no doubt a stirring theme for school prize-day speeches, but it is absurd because it forgets that there are at work in modern societies genuinely dangerous forces (Communists and real Fascists) that will seek to benefit from the final collapse of disorderly "freedom." "After us, the deluge," said a French queen. And "After the deluge us", has been the motto of such forces since.

In one regard only has representative democracy in France seriously surrendered to de Gaulle, and that is in giving him the power to devise the new constitution. It did the same in 1940 in favour of Petain, but the situations are scarcely comparable. De Gaulle's constitution is to be submitted to referendum, and that consultation is to be prepared in an atmosphere of free discussion. The prevailing electoral law cannot be changed by the Gaullist Ministry and while this puts beyond its power one of the most necessary of all reforms, it also guarantees that the new constitution cannot break with the basic traditions of governance by universal suffrage; and there are in addition the specific promises de Gaulle has given about the principles of the new republic: a ministry answerable to parliament, separation of the offices of President and Prime Minister, etc. These safeguards, and even the faith in de Gaulle's personal liberalism, do indeed still leave room for constitutions that would restrict French liberties. Ultimately the country is playing double or quits on its trust in one man, and that is always a dangerous proceeding. But again it is necessary to recall the repeated failure of French constituent assemblies to devise workable constitutions—and more important, the chronic inability of French parliaments to amend constitutions recognised as unworkable.

At the present moment there are few reliable indications on what form de Gaulle will give the new constitution that is to be submitted to the electorate in the autumn. This is not because the constitution is already written in the General's head but he is keeping it secret from the rest of us. His preferences run in a certain direction but the issue will be in large part decided by the normal interplay of political forces over the next few months. A movement based on Algiers and which noisily takes de Gaulle's name in vain favours a regime copied from that of de Gaulle's enemy, Petain; but this faction is of little importance in the nation's political life and its wishes are certainly doomed to disappointment. The one firm hint the General has so far given is that he will seek to give the organisations of the working class some direct representation in the upper house of the legislature. This proposal is not to be taken as a move toward the corporative or guild socialism proclaimed (but never practised) by several Latin dictatorships; the idea is more probably to give the working class another access to political influence besides the Communist Party. As we have argued here before, this is perhaps the most urgent problem facing French democracy.

Though he has promised not to introduce a presidential regime after the American model (which the French

people correctly fear, given their history, as the prelude to Bonapartism), de Gaulle will surely seek to separate the legislature from the daily exercise of administrative power. The recent history of French parliaments shows that this is absolutely necessary. Government by assembly has always led to stalemate and impotence in this country; French parliamentary government, it has been said, produces a parliament but no government. Further, although he has promised to keep distinct the offices of President and Prime Minister, de Gaulle will no doubt seek to endow the President with powers far in excess of those M. Coty holds—probably something approaching the emergency powers of the Indian President, or somewhat in excess of the powers of governors in many Dominions and their states. These powers will include, notably, the right to send a stalemated parliament before the country; this right, which is normal in many democracies, has been refused by French politicians as dangerous, when in fact it is less so than the perpetuation of insoluble party conflicts.

In the short run, one of the most important parts of the constitution will concern France's relations with her colonies. Once again, before speculating on what de Gaulle might do in this field it is necessary to remember the absolute failure of previous constitutions to provide ways of reconciling French Jacobinism to the liberation of associated peoples, and the chronic inability of French parliaments to remedy the legal causes of that failure. In this matter it is permissible to believe that to date de Gaulle is playing a Machiavellian game with the imperialist Right, calling its bluff by pretending to accept its new-found equalitarianism, so that he will very soon be free to apply the liberal policies that it would be difficult to proclaim straight off. Being a grown man in his right mind, de Gaulle cannot possibly accept, any more than anyone else in metropolitan France, the lunatic policy of total integration and assimilation of ten million Algerians into the French community. But to insist on integration of the

communities within Algeria is a necessary prelude to any solution of the Algerian problem, including even Algerian independence.

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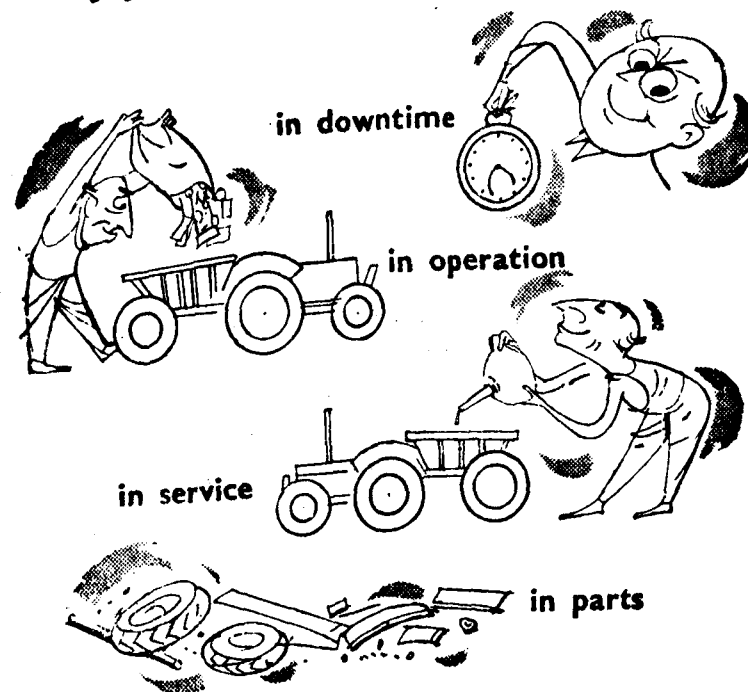
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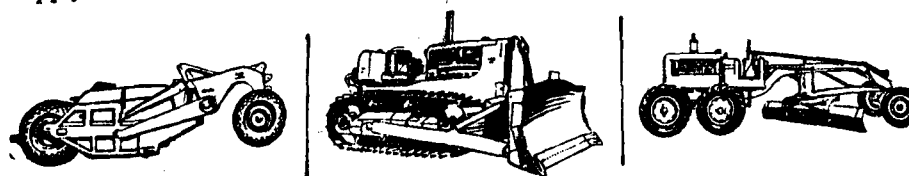
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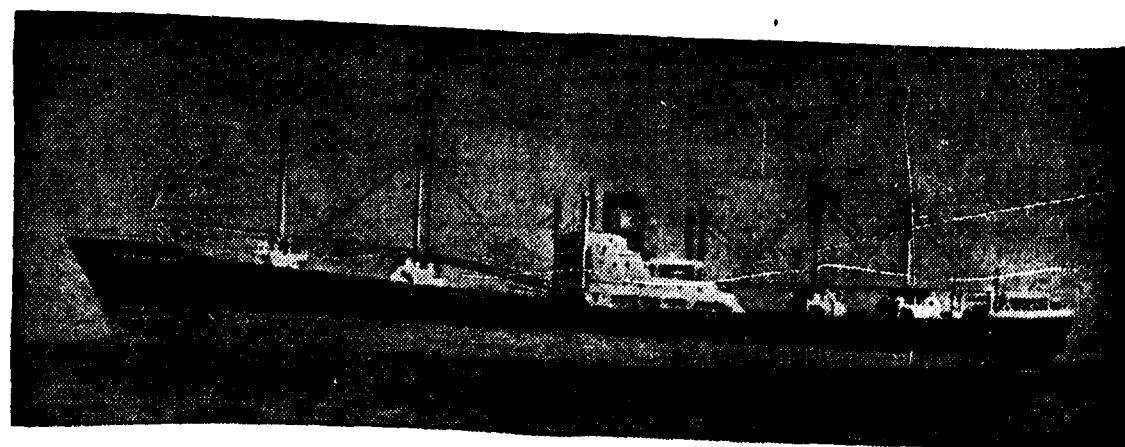


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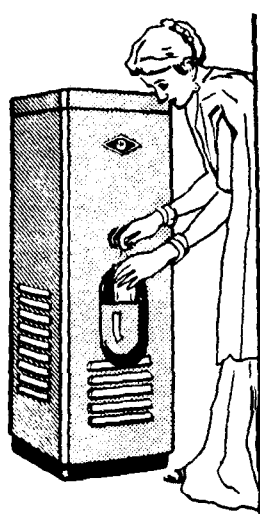
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WORLDGRAM

AGRICULTURE

Additional Imports of Foodgrains from U.S.A.: It is understood that a further quantity of about 7 lakh tons of foodgrains will be imported from the United States. This will be in addition to imports taking place under various other programmes. The U.S.A. has offered to make additional funds available under P.L. 480 out of the last appropriation to enable the Government of India to purchase about 5 lakh tons of wheat and 1 lakh tons each of milo and maize from the United States. It is expected that shipments of these foodgrains will commence in July. The Central Government holds at present stocks of foodgrains totalling about 12 lakh tons. During the months of June, July and August, the total quantity of foodgrains expected to be imported under the current programmes is nearly 6 lakh tons. The import of the additional 7 lakh tons of foodgrains will add to the availability of foodgrains with the Central Government, which will be in a position to distribute foodgrains on a larger scale during the lean period.

India to Purchase \$2,737,450 Worth of U.S. Tobacco: The Department of Agriculture has authorized the purchase by India of some \$2,737,450 worth of unmanufactured tobacco with Indian currency. Some 1,200 metric tons of tobacco are involved in the agreement which is part of the accord reached nearly two years whereby some \$360 million worth of American products were to be sold to India. Under that agreement the Indian Government pays for the commodities in rupees, a substantial portion of which is loaned back to the Government of India for economic development projects. Approximately half of the commodities covered in the agreement already have been delivered. All deliveries are expected to be completed in another year. The latest announcement by the Agriculture Department said the tobacco will be shipped from American ports during the period June 17, 1958, to June 30, 1959.

Conferment of Occupancy Rights in Land: The President has given his assent to the Bombay Land Tenure Abolition Laws (Amendment) Bill, 1958. Bombay has experienced difficulties in conferring occupancy rights on 'inferior' and 'permanent' holders and tenants due to incomplete necessary record of rights or to the absence of land records and other relevant documents. To overcome these difficulties, the present Bill seeks to re-define the terms 'inferior holder', 'permanent holder' and 'permanent tenant' and also provides for the preparation of the relevant records for this purpose.

Central Aid for Soil Conservation: Schemes for soil conservation, for which Central aid is available in the form of grants and loans, can generally be grouped into four broad categories. The first category includes engineering measures, the second afforestation, the third survey, research and training, and the fourth pilot demonstration projects. The object of the schemes is to conserve soil and water, and promote rational use of land and natural resources, thereby raising agricultural production.

INDUSTRY

Ten-fold Increase in Production of Plastic Goods: "The production of plastic goods and plastic raw materials in India has registered a ten-fold increase

in the last ten years," revealed Shri Manubhai Shah, Union Minister for Industry, recently. Shri Shah was addressing the 11th All India Plastic Manufacturers' Conference. He said that the production of plastic goods and plastic raw materials in 1957 was valued at over Rs. 10 crores as against Rs. 1 crore in 1947. Shri Shah declared: "The key to the plastic industry's prosperity lies in building up self-sufficiency in raw materials, equipment and tools." The Minister said that by 1961 the plastics processing industry could be expected to obtain locally all the three important raw materials viz., polystyrene, polythene and PVC to the extent of at least 16 million pounds. As the consumption of these three plastic raw materials in 1957 was only of the order of 7 million pounds it was necessary, Shri Shah pointed out, that the processing industry should build up large volume uses for these raw materials.

Marketing Facilities for Handicrafts: Schemes designed to improve marketing facilities for handicrafts by the establishment of more scale-cum-procurement depots in three States—Rajasthan, Bombay and Madhya Pradesh—have been approved by the Government of India on the recommendations of the All-India Handicrafts Board. More training and production centres are also to be set up in these States. Besides these, schemes sanctioned earlier for the development of handicrafts are to be continued during the current financial year. Grants amounting to over Rs. 5 lakhs have been sanctioned to the three States for implementing the schemes.

Manufacture of New Range of Machine Tools: The State-owned Hindustan Machine Tools Factory will soon undertake the manufacture of radial drills in ten varieties. A technical collaboration agreement was signed recently for this purpose between Messrs. Hermann and Kolb of Koeln, the well-known West German manufacturers of radial drills, and the Hindustan Machine Tools Factory. The agreement will enable the Machine Tools Factory to manufacture, under licence, ten types of radial drills in 1½" and 2" sizes and the first 'Hindustan Radial Drill' produced in the Bangalore factory, is expected to be in the market by December, 1958. The sale prices of these machines are expected to be below the landed cost of imported machines of equivalent quality. The addition of these radial drills to their existing range of six types of milling machines and two types of lathes is expected to give further flexibility to the production programme of the Machine Tools Factory. This will enable the country to be self-sufficient in the matter of medium and heavy radial drills, as a result of which the country will save annually Rs. 75 lakhs to Rs. one crore of foreign exchange. According to the terms of the agreement, Messrs. Hermann and Kolb will arrange to train ten employees of the Hindustan Machine Tools Factory at their works in Koeln in West Germany. The West German firm have further agreed to depute to the Hindustan Machine Tools, suitable expert technicians.

TRADE

Promotion of Tea Export: India's foreign exchange earnings rest mainly on the export of a few commodities. Tea is one of the most important of these foreign exchange earners. During 1957, production of tea in India amounted to 666 million lbs., out of which as much as 447 million lbs. were exported. During the second Plan period, the average annual earnings from the export of tea are estimated to be near about 127 crores of rupees. An export promotion drive for tea

A DELHI NOTEBOOK

DETAILS OF U.S. CREDIT

FULLER details are now available here of the allocations from U.S. Export/Import Bank credit of \$150 million for the purchase of American machinery and equipment for India's development projects in the public as well as the private sector. Earth-moving and construction equipment for irrigation projects will account for \$24 million and equipment for clearance of jungle and reclamation in the Dandakaranya area for \$3 million. Equipment for power generation and transmission projects will absorb \$33 million.

A total sum of \$35.5 million is allotted for mining equipment, and this is made up of \$3.8 million for equipment for the Rourkela iron ore mines, \$1.4 million for shovels and dumpers for iron ore mines, \$1.6 million for diesel locomotives for iron ore mines, \$1.4 million for mining and earth-moving machinery for the Neiveli Lignite Project, \$7.3 million for earth-moving machinery for the National Coal Development Corporation, \$10 million for coal mining machinery for the N.C.D.C., and \$10 million for equipment for private coal mines.

Transport and communications will have in all \$16.4 million, made up of \$0.7 million for aerodrome equipment for the Indian Airlines Corporation, \$0.2 million for telecommunications equipment and equipment for the P. and T. Department, \$1.6 million for equipment for truck and jeep manufacture, \$5 million for port equipment, \$5 million for equipment for manufacture of road carriers and \$4 million for equipment for construction of roads and bridges.

Industry is allotted in all \$11.6 million out of which \$0.6 million will be for equipment for the Sindri Fertilisers and the Travancore Fertilisers and Chemicals, \$10 million for equipment for the textile industry, \$10 million for equipment for the chemical industries, \$10 million for machine tools, \$10 million for equipment for fabrication of heavy structurals and manufacture of electrical equipment and machine tools and \$1.0 million for miscellaneous orders for machinery placed through the Director-General, Supplies and Disposals.

It will be seen that the larger part of the credit is allocated to the purchase of equipment for projects in the public sector. The private sector's share is probably anything between \$30 million and \$40 million. The expectation that the Export/Import Bank Credit would be made available more liberally for projects in the private sector has thus not been wholly fulfilled. As against this, there is the compensating consideration that public sector projects of a basic or heavy kind and thus of great value to the private sector are to get the necessary equipment. These allocations, however, may not be final inasmuch as changes therein could be made by mutual agreement between the Government of India and the Export/Import Bank.

Another welcome news is the U.S. Government's offer to make additional funds available, under the last P.L. 480 appropriation, for supplying 500,000 tons of wheat, 100,000 tons of milo and 100,000 tons of maize to India in three months or so from July next. These food imports will add further to the rupee resources of the Government of India for development financing in the current year. Besides this, there is the monthly saving of Rs. 83 lakhs resulting from the recent agreements with the three oil companies in the matter of price revision — a saving which the Government has decided to utilise for financing its ways and means.

FOREIGN EXCHANGE CRISIS

In spite of the U.S. Export/Import Bank Credit and further P.L. 480 food grain supplies, the foreign

exchange crisis is expected to continue. The drain on sterling balances has amounted to Rs. 51 crores from the first week of January this year to May 23. In the seven weeks ending May 23, drawals have been Rs. 36.3 crores. Although India need not maintain more than Rs. 85 crores of sterling securities (besides Rs. 115 crores in gold) as backing for the rupee and she has still a safety margin (as of May 23, 1958) of Rs. 157 crores of sterling balances, it is probably deemed inadvisable to allow the drawals to continue at a faster rate. It is, perhaps, in this context that a suggestion has been advanced to stop all imports for three months from October to December this year and a proposal has been under the examination of the Ministry of Fuel to stop all imports of petroleum products in the last three months of 1958. The latter proposal seems to be unsound because the imports of petroleum products are largely in respect of items, the home production of which is inadequate to meet home demand — items like kerosene, lubricating oil and high speed diesel oil.

Any proposal that may be under examination to stop other commercial imports for even three months is palpably unsound because they largely consist of industrial raw materials and spare parts for renewals and replacements — items take raw cotton, raw jute, art silk yarn, maize for starch factories, raw wool and wool tops, coal tar dyes, chemicals, sulphur, aluminium, brass and copper sheets and other items required for food and plastic industries. If these imports are stopped or greatly restricted even for a few months, the level of production in the industries dependent on them will go down, unemployment will increase and export trade also will decrease. A considered view is to the effect that while imports of consumer goods could be curtailed to some extent, imports of industrial raw materials and intermediate goods might have to be stepped up if industrial production is to be maintained at the 1957 level. A question is asked in this connection why the Ministry of Defence has not been directed to get its new equipment on deferred payment basis. It is, however, thought that if an untied loan of \$500 million could be negotiated, there will be no need for further restrictions on essential imports or for the apprehended ban on the remittances abroad of profits by non-Indian concerns in India.

PLASTICS INDUSTRY

It is reported from Bombay that the Union Minister of Industry referred, in his address to the All-India Plastic Manufacturers' Conference, to the impact of the foreign exchange crisis on the plastics industry in the country. An austere import policy having become necessary, he said, self-sufficiency in raw materials, equipment and tools for the plastic industry had also become necessary. Two schemes for a total capacity of about 14 million lbs. of polythene were already under way. One of the plants would be in Calcutta and the other in Bombay. The Calcutta plant would go into production early next year. A scheme for the manufacture of PVC from calcium carbide had also been finalised, and this plant would commence operations before the end of the second Plan period. The Minister expected that by 1961 the three raw materials, namely, polystyrene, polythene and P.V.C. would be indigenously manufactured to the tune of 16 million lbs.

RECENT CAPITAL ISSUES

The Controller of Capital Issues has given 38 consents for a total sum of about Rs. 21 crores during the first quarter of 1958. Of this amount, public companies account for 40 per cent and private companies for 60 per cent.

Special Article

REHABILITATION OF RESCUED WOMEN

(By MRS. ROMOLA SINHA)

FOR a number of years social workers interested in the rescue of women and girls from the clutches of traffickers have felt the need of a uniform Act for the Suppression of Traffic in Women and Girls which would apply to the whole of India. To these it was gratifying to see "The Suppression of Traffic in Women and Girls Act" passed by Parliament in 1956. This Act was passed in pursuance of the International Convention signed at New York in May 1950 for the Suppression of Immoral Traffic in women and girls.

It was felt that with the enforcement of the new Act, a great service would be rendered to the country as hitherto Acts for the Suppression of Immoral Traffic had existed only in the major States in India some of which had flaws and not being uniform, brothel keepers were able to evade the law and houses of ill fame flourished throughout India, the number of brothels having greatly increased since the last World War. As long as such houses were allowed to exist there was a ready market for women and young girls including children of tender age and traffickers and brothel keepers were able to amass large fortunes from the immoral earnings of their victims who once in their clutches had no means of escape from degradation and disease. Under the new Act, pimps, procurers and brothel keepers will be severely punished and all brothels will be closed down.

According to the scheme prepared by the Central Social Welfare Board for the opening by Government of Shelters, Protective Homes and Production Units for rescued women which was accepted by the Government of India, some of the States have already opened such Shelters and Homes, but unfortunately all of them have not been able to do so nor have they prepared constructive schemes for the rehabilitation of rescued women. If the Act is enforced in States that are not yet ready for the reception and rehabilitation of these women, Government will be merely defeating its own purpose as instead of helping society by the closing down of these undesirable places, greater harm will be done through these women scattering everywhere and their future will be more wretched than at present.

It has been suggested by some, if separate buildings are not available the brothels be converted into "Protective Homes" where vocational training may be imparted to the inmates. But will that be practicable? If we wish to rehabilitate these women it is essential to remove them from their present vicious environment. Some of the State Governments are seeking accommodation in existing Homes for the women and girls recently rescued from brothels, but this is not desirable either, as the newcomers will have a disquieting influence on those already settled to a routine life in the Homes. It will be much better for these newly rescued women to be accommodated in separate buildings and as far removed as possible from their former surroundings.

In order to abolish brothels in the whole of India, it is essential for every State to be ready for the rescued women with Reception Centres and attached Hospitals, and separate Training Centres so that after under-going medical and psychotherapeutic treatment at the Reception Centres, the women and girls selected for vocational training may be taken to training and production centres with attached hostels for post trainees. Here educational and vocational training may be imparted in weaving, ceramics, tailoring, cloth-printing, poultry farming, vegetable gardening, in laundry work, rope, net and basket making, etc., each according

to the type of training most suited to her. Those capable of higher education should be given facilities to continue their studies to enable them to train as teachers, nurses, typists or gram sevikas. Every effort should be made to help the post-trainees to maintain themselves either through aid in finding employment or through the sale of their produce.

It is of vital importance that women personnel specially trained in the psychology of rescued women be engaged as rehabilitation will depend entirely on the personal influence of the supervisory staff and that of lady voluntary workers. The Central Social Welfare Board has already undertaken the training of personnel at the Delhi and Madras Schools of Social Work. But many more must be trained and I would suggest the opening of such a school in Calcutta, as owing to the influx of refugees, the problems of rescued women in West Bengal are peculiar to the State and require special attention.

It has often been said that it is not possible to rehabilitate rescued women. Most people think of them as fallen women without probing into the causes of their downfall. Rescued women are of so many categories. There are the very young girls of tender age brought up by and used by the brothel keepers for their immoral earnings. There are those who due to economic distress have been obliged to earn their living in this manner, others have been enticed away from their homes by traffickers who have forced them to prostitution. Then there are the poor unfortunates who discarded by their families perhaps for one false step have eventually found themselves in brothels. Of course, there are also the vicious and the depraved who, fortunately are in a small minority in India and for these there is little to be done. But, for the others, it is due to unfortunate circumstances that they were obliged to take to such a life and surely it is our duty to give them a helping hand and to pull them out of the mire.

In Delhi State, Mrs. Rameswari Nehru has done a great deal for the rescue and rehabilitation of such women and young girls. In Bombay and Madras, rescued women have been rehabilitated through the efforts of Lady Chandravarkar and Mrs. V. T. Lakshmi. In Calcutta, the Members of the All-Bengal Women's Union have been working for the last twenty-five years for rescued women and have succeeded in the rehabilitation of the majority of them under their care. It is from the experience of these voluntary workers that I am able to say that the rehabilitation of rescued women is possible. I give below a few case histories from a well-known Rescue Home in Calcutta.

Prova was rescued from a brothel and sent to a Home. Her story was sad. Widowed at a tender age and treated by her 'parents-in-law' as a maid of all work, ill-treated and half-starved, she yielded to temptation and went away with her lover. After his premature death, she fell into the clutches of a brothel keeper who drugged her and forced her to live by prostitution. It needed a full year's medical and psychotherapeutic treatment given with patience and sympathy at the Rescue Home before she was fit for vocational training. Later, she was married from the Home. A happy marriage and the birth of her son at last brought her the happiness she longed for.

Kamala rescued from a brothel at the age of 12 years, was found to be suffering from V.D. after prolonged treatment was sent to school and trained in weaving. She is now working as a teacher, respected

by all and her past is known only to the authorities of the Home.

Shefali was rescued from the clutches of her lover who had enticed her away from her village and had been living on her immoral earnings. At the time of admission to the Home, she was suffering from V.D. and was constantly attacked by hysterical fits. Careful and understanding treatment completely cured her of the disease and of hysteria. She was married from the Home and is now the happy mother of a son and a daughter.

The Business World

A MISCHIEVOUS STRIKE

By

CROESUS

THAT the leaders of the All-India Port and Dock Workers' Federation should have instigated their followers to go on strike at this critical juncture of the country's economic development, and that too on the flimsy ground of alleged 'inaction' by the authorities in implementing the recommendations of the Choudhury Committee, is as irresponsible as it is regrettable. The Choudhury Committee, which submitted its report in September, 1957, it may be recalled, recommended, 'inter alia', rationalisation of pay scales within the ceilings of the First Pay Commission, retirement benefits, and decasualisation of contract labour. Discussions between the labour leaders and the authorities concerned started since the middle of November of that year. Unfortunately, the parties could not come to definite conclusions even by the end of January this year as per earlier expectations, partly because the field covered by the Report is very wide and partly because the unions themselves insisted that they should be consulted separately and not jointly. This curious request makes one wonder whether they were at all serious about the negotiations, an inference which is strengthened by the fact that, even while the consultations were going on independently as they wanted, the Union leaders hastily passed a resolution, on January 28, 1958, to launch a country-wide strike. Sensing the seriousness of the situation the Union Minister for Transport and Communications promptly decided to come to an early decision and fixed July 15, 1958 for the purpose — this, according to the Government, is the earliest possible date, to formulate its views on the Report — and informed the Federation leaders accordingly. Surely the heavens are not going to come down between now and July 15, 1958, and the Federation could well have afforded to wait until then. If even then the Government failed to reach a decision, it would have been justified in resorting to a strike, although, according to some, even that provocation might not justify such an extreme course in the prevailing circumstances. Apparently, the Federation was not solely motivated by the interests of its members. Possibly, it even feared that it would lose the initiative if and when the Government's decision was announced. Whatever the motive, the strike is unfortunate and the Federation could not have chosen a worse time to stab the country in the back. At a time when no effort is being spared to maximise exports to get over the foreign exchange difficulty, those who have deliberately chosen thus to launch a dock workers' strike and paralyse the country's foreign trade cannot be regarded as India's friends.

All this is not to say that there has been no avoidable delay in the implementation of the recommendations of the Report and that everything is well with the working conditions of dock labour. It is known that the

The Social Workers who have visited brothels and have questioned the inmates thereof have often been told by some of them that if given the chance to live respectably they would gladly give up the present mode of living. There are hundreds of such unwilling victims, specially the very young girls.

In a Welfare State like ours, where every effort is being made to improve the status of our women, it behoves the Government social institutions, and workers to pay particular attention to the rehabilitation of these unfortunate women.

dock and port labour have certain genuine grievances, which deserve sympathetic consideration, but the delay in the implementation of the Report is, at least in part, due to the labour leaders themselves. For one thing, they took their own time to submit their views on the Report — this they did only recently; secondly, there are two categories of dock workers who are being looked after by two different agencies. Thus, whereas the workers engaged at the three major ports of Bombay, Madras, and Calcutta are managed by autonomous Port Trusts, the labourers working at the other ports are administered directly by the governments. The principles on which the Second Central Pay Commission Choudhury Committee may come into conflict with the principles on which the second Control Pay Commission may base its own recommendations. Since the Commission's report will apply to the three ports which are administered by the Government an anomalous position may arise. These and other considerations presumably handicapped the Government and compelled them to postpone the issue for some time.

Be these as they may, the dock workers should remember that they are not the only class of workers who are put to difficulties by the rising prices. There are a number of other workers, besides, who are getting very much less than what the dock workers get, and are, therefore, much worse off. As it behoves any responsible government to be fair to all sections of the working population, it cannot take a decision without looking into all the pros and cons of the matter. The Government may also have thought it prudent to await the report of the Second Pay Commission before taking a final decision. Whatever may be the case, the leaders of the Federation would do well even now to call off the strike in the interests of the Nation, if they do not want to alienate public sympathy irretrievably. They would also do well to hearken to the wise words of Mr. Lalchand Hirachand, Vice-President of the Indian Merchants' Chamber, Bombay, at the last quarterly meeting of the I.M.C. "Progressive opinion all over the world," said Mr. Lalchand, "is unanimous that the strike weapon is clumsy and wasteful; to use that weapon for subserving party interests is despicable in the extreme and certainly anti-national. It is hoped that better counsels would prevail on these extremists in the labour movement and they would so modify their approach that their organising genius and experience are put to constructive use to carrying the teeming millions of workers and peasants along with the rest of their countrymen in the fulfilment of the fascinating task of national reconstruction. The Nation needs at the moment not periodic industrial strife, but permanent industrial peace for the early achievement of our objective of full employment and a Welfare State".

BUSINESS NOTES

THE STATE OF THE ECONOMY: FANCY AND REALITY

RECENT DEVELOPMENTS, particularly the reappearance of the foreign exchange crisis, have compelled all those interested in the economic prosperity of the country realistically to assess the present position and suggest practical measures which would be helpful in solving the problem on a more or less permanent basis. The question has thus been engaging the attention of the Planning Commission, the Government, and the business community for some time past. But, unfortunately, official circles, even after realising the gravity of the situation, albeit belatedly, still seem somewhat hesitant to distinguish economic issues from emotional morass and to take a realistic view. The second Five-Year Plan, nay, the whole economy, has reached a crucial, if not critical, stage, when some rethinking on at least some of the fundamentals of our economic policies has become absolutely inevitable. The lines on which such rethinking requires to be made were clearly indicated by Mr. G. P. Kapadia, and Mr. Lalchand Hirachand, Chairman and Vice-Chairman, respectively, of the Indian Merchants Chamber, Bombay, in their addresses to the first quarterly general meeting of that body held last week. Taken together, these speeches cover almost all the important issues facing the country today—the problem of finding resources for the Plan, taxation policy, shipping policy, crisis in the textile industry, labour unrest, export promotion, sales tax reform and housing shortage — and enable one to have a correct picture of the prevailing economic situation. But among the several subjects discussed by them, two issues — the Government's taxation policy and its effects on savings and investment dwelt by Mr. Kapadia, and the problem of promoting our exports highlighted here.

Dealing with the Government of India's taxation policy and its impact on savings and investment, the I.M.C. Chief drew attention to the note circulated to the members of the Consultative Committee of Parliament by the Ministry of Finance which claims that the taxation measures introduced under the 1957-58 budget have, by and large, neither discouraged capital formation nor acted as a disincentive to production. Refuting this admittedly untenable view, Mr. Kapadia rightly remarked: "In fact, the very figures quoted in the Note serves to disprove Government's contentions. While Government's consent to capital issues rose from Rs. 81.31 crores in 1953 to Rs. 230.15 crores in 1956, the same shows a sharp decline to Rs. 152.32 crores in 1957 and stands at Rs. 22.97 crores during January/March, 1958. If anything, this clearly demonstrates the stringent conditions under which the capital market of the country has been passing for quite sometime". Instead of vainly trying thus to defend their economic measures, particularly the fiscal innovations, which have rendered the task of attracting equity capital so difficult, if not impossible, the Government will do well to change the tax structure suitably, without any loss of time.

Referring to the question of export promotion, which, in the words of Mr. Manubhai Shah, Union Minister for Industries, is a "must" element in our national programme, Mr. Lalchand Hirachand complained that the steps taken so far in this direction were not commensurate with the requirements of the situation, and, as such, wanted the programme of export promotion to be strengthened substantially on both a short-term and a long-term basis. In this connection, he alluded to the two main disconcerting developments on our export front, namely the significant

decline in the export earnings from some of our staple export items, and the evolution of substitutes and technological advancement. This country is already feeling the effect of the second factor, especially in the case of manganese ore, shellac and hessian. In these circumstances, the Government should, apart from implementing the remaining recommendations of the Export Promotion Committee, bestow attention on the problem of keeping our hold firmly on the export markets for at least our traditional exports and conduct a planned survey of export markets for various exportable commodities, as suggested by the I.M.C. Vice-Chairman. Such a survey should be of immense help to our planners in framing a far more dependable foreign exchange budget than they have been able to prepare so far.

FIDDLING WITH MANGANESE EXPORTS

OF THE many industries and trades which have suffered by the steady encroachment of the State Trading Corporation, the manganese ore industry and trade is perhaps the worst. Ever since the entry of the S.T.C. into this field, manganese ore interests have been experiencing all kinds of hardships. Giving an account of their difficulties at a recent Press Conference in Bombay, Mr. Amirchand T. Gupta, Chairman, Western India Minerals Association, disclosed that mine-owners and exporters had sold to the S.T.C. about 150,000 tons of manganese ore of all grades, the whole of which was still lying with the sellers, while the value thereof had remained unpaid to-date. This locking up of large funds with the S.T.C. has naturally been a severe handicap to mineowners, who, it is alleged, are being compelled to close down their mines. The process has already begun, declared the W.I.M.A. spokesman, and instanced the example of the Mysore State, where alone about 70 per cent of the mines are stated to have been closed down. This, if true, is a serious development and calls for immediate action.

The reasons for this sorry state of affairs are obvious. The export policy of the Government of India, the procedure adopted by the S.T.C., the higher prices of our ores as a result of the exorbitant export duty, and the recessionary trends in the American economy have all combined and contributed to the prevailing crisis in the manganese trade and industry. Barring, perhaps, the last mentioned factor, namely, the American recession, which is an extraneous one, the Government can certainly take remedial measures with regard to the others, particularly the price factor. Emphasising this point, a press note on the subject issued by the W.I.M.A. has this to say: "The main problem today for manganese ore trade and industry is that we are losing our long-established markets, more particularly the U.S.A., the U.K., and the Continent. As a result of high prices, irregular supplies and change of policies every now and then, these buyers have turned their back and are seeking their requirements from other countries. If the export duty had been abolished, the price would have been very competitive. The price of Indian manganese ore today is about six dollars higher per ton than that of the ore of other countries. Our price of high grade ore today is about 36 dollars f.o.b. Indian port, whereas the other countries are quoting 30 dollars for the same grade and quality". The Government, more particularly the S.T.C., should either keep the prices competitive and operate in a business-like manner, or allow the private sector which, as its record of past performance shows, is quite competent to handle the task a free hand, if only to prevent Indian manganese being shut out from the international markets for all time. As has been perti-

nently suggested in the W.I.M.A. note, the first thing that the S.T.C. should do now is to constitute an independent advisory committee, headed by a man of experience in the field of manganese ore trade, to review the whole situation objectively.

"THE COMPANY LAW REVIEW"

THIS QUARTERLY journal published by the Company Law Association of India with Mr. V. Venkola Rao as Editor is a welcome addition to the periodicals in this country. The first issue is an index of the standard it means to uphold. The Journal comes at an opportune time when the intricacies of State regulation make the Company Law an abstruse subject for the lay man.

If it is the privilege of the law-makers to insist that ignorance of law is no excuse, it is also their responsibility to make the law intelligible to all. This is all the more so in a democracy. Unfortunately, however, even in respect of an enactment which is paraded as the biggest piece of legislation in Socialist pattern of thinking, adequate measures are not taken to explain to the lay public several of its complicated provisions. It is not everybody that can grasp the fundamentals of a complicated piece of legislation such as the Company Law; one must needs have the assistance of expert thinkers and analysts to do so. It is, therefore, heartening to find that the Company Law Association of India, which was established in Bombay only a few months ago, has launched this quarterly to meet a felt need. Appropriately enough, the first issue of the publication contains an interesting review of the new Companies Act in operation by Mr. T. Viswanatham, Chairman of the Advisory Commission, Company Law Administration. It is extremely readable, although one may not wholly endorse all that is said in it. There is plenty of additional fare besides. But readers will not fail to see the relevance of the following maxim with which the Editor has wound up his introduction of the new Journal: "Sound company legislation should bear in mind that control is not an end in itself but a means to an end; that no man is good enough to govern another man without the other's consent, and that regulation, even in its best state, is but a necessary evil, whilst in its worst state, it is an intolerable imposition."

MADHYA PRADESH'S ECONOMY

THE LATEST report of the Madhya Pradesh Financial Corporation besides giving a review of the activities of the Corporation during the past year has also drawn attention to the future development of the economy of this hitherto backward State. During the year, it says, substantial increases were registered in the output of cotton, textiles, coal, sugar, cement, lime, manganese, and paper industries and the prospects for increased production in potteries, leather goods and light engineering industries are quite encouraging. Whereas during the year ending March 31, 1957, the Corporation has sanctioned Rs. 18,50,000 as loan, during the past year, the amount has increased to Rs. 71,90,000, and the industries that have been assisted varied from textiles to iron foundry and rolling mills.

The report points out that the State has large potentialities for development in view of the fact that it abounds in raw materials, besides abundant mineral resources and rich forest wealth. It is, therefore, a happy idea of the State Government to have initiated a techno-economic survey of the State to find out the currently available as well as potential material resources in the light of which plans can be formulated for effective utilisation of the resources and preparation of project reports for specific industries which could be developed. The survey is being undertaken by the National Council of Applied Economic Research which has already completed a similar survey of Bihar. Its report is bound to throw considerable light for the

effective development of the economy of Madhya Pradesh.

NATIONAL RAYON

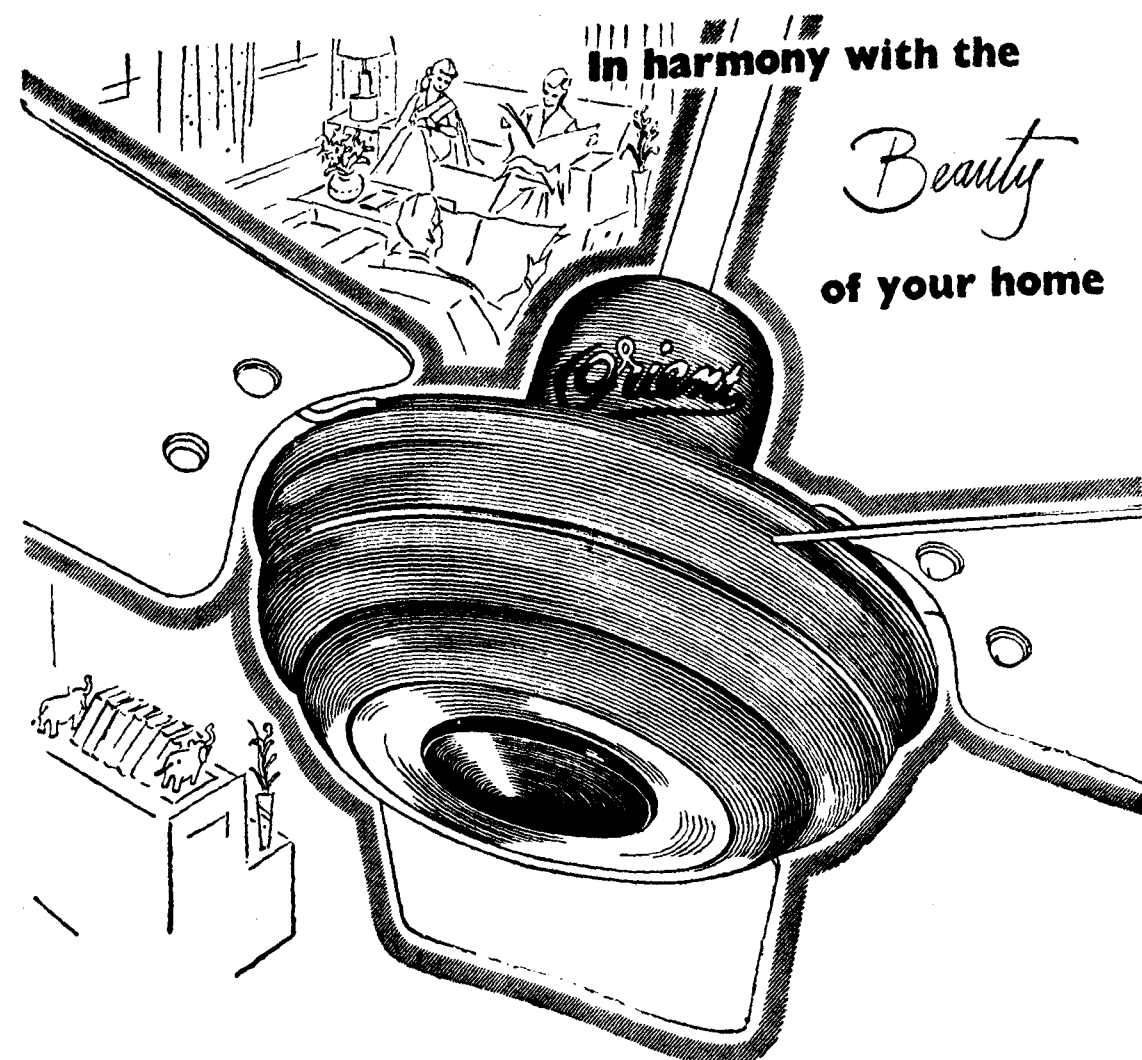
IN HIS speech at the annual general meeting of the National Rayon Corporation, Mr. Kasturbhai Lalbhai pointed out the need for facilitating risk capital to flow unhampered if private enterprise were to fulfil the obligations cast upon it under the Plan. He expressed satisfaction that the compulsory deposits scheme introduced in November 1956 had been kept in abeyance this year and hoped that it would be soon removed from the Statute Book. This is a view that will be generally shared by everyone and not merely the business community. Mr. Lalbhai also drew attention to the Development rebate and said that though the original provisions had been modified, still even in its amended form, it could not be helpful and was proving as a disincentive. So, he rightly pleaded that it was necessary that the earlier position should be restored if the idea was to give encouragement to the establishment of new industries.

Mr. Kasturbhai Lalbhai referred to the foreign exchange difficulty which had compelled Government to restrict imports of yarn considerably. This had naturally resulted in a steep rise in prices. Nevertheless, the prices of the company's products had been kept at reasonable levels. So far, he said, the import policy with regard to essential raw materials had permitted the plant to run to its full capacity. He, however, expressed the hope that the position with regard to foreign exchange would improve so as to facilitate not only the continuance of the policy of full imports of all essential raw materials but also essential capital goods for expanding the capacity of several industries. The latter can only be a pious wish since signs for improvement in this direction are far from encouraging.

MYSORE SUGAR COMPANY

ADDRESSING THE annual general meeting of the Mysore Sugar Company Ltd., Mr. B. M. Krishnan, Chairman, dwelt on some of the problems facing the sugar industry. He pointed out that with the increase in the number of factories and the expansion of the several existing factories, already licensed, there was reason to hope that production during the current year would register a further increase and the second Plan target of 22.5 lakh tons of sugar would be achieved next year. But he was apprehensive that a disturbing factor in the sugar economy was the sudden expansion of the 'Khandsari' process of sugar manufacture in Northern India. This is a real threat because this would mean that the increasing capacity of the sugar industry would not be fully utilised.

Mr. Krishnan also referred to the fact that while production had been steadily on the increase, internal consumption had not improved but had been somewhat stationary at 19.5 lakh tons per annum. He attributed this not only to the prevailing high prices of sugar in the country but also to some extent to a long-standing imbalance in production between the southern and northern regions of the country. Analysing the reasons for the high prices of Indian sugar, he pointed out how the industry was helpless in the matter as the major elements in the cost structure were entirely beyond its control. Thus a break-up of the sugar price showed that sugarcane, the price of which was statutorily fixed, accounted for 42 per cent while excise duty and cane cess together accounted for another 35 per cent. If to this were to be added the rising costs of wages and salaries and the appreciating costs of spares, stores, etc., it would be easy to see how difficult it would be for the industry to effect economies in manufacturing costs. For reducing prices, it is obvious that what is required is some immediate relief in taxation.



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Economic Report from the U.S.

BUSINESS INDICES

(By GUY SIMS FITCH)

WASHINGTON, June 10.—A number of business indices in the U.S. have begun to point upward again within the past month, highlighting an economic performance that on the whole has been somewhat better than expected at this time of year. For a reflection of this greater than seasonal vigour, one need look only as far as the latest official employment report. The number of jobless declined by some 200,000 from April to May, dipping below the five million mark for the first time since January. At the same time, the number of jobholders increased by 1.2 million, rising above the 64 million mark for the first time since last December. This adds up to an improvement in the job picture that would have done justice to even a highly prosperous business year.

There are indications, too, that industrial activity may be climbing again after eight months of steady decline. Substantial gains have been scored in the past month in heavy construction awards, steel production, and automobile and truck output. Such other key indicators as freight carloadings, petroleum production and electricity output also have begun to show some small but significant advances. Even with these optimistic indications, of course, there still is the question of how stronger steady the revival may be. There are some experts who believe that full recovery may not come until the middle of next year, or perhaps later. The importance of the word "full" should not be overlooked, however. What these economists are talking about is a recovery to the peak levels of mid-1957, and the emergence of a growth rate high enough to make up for the production losses of the past year. But there are very few, if any, who do not see at least a modest economic upturn in the making this year.

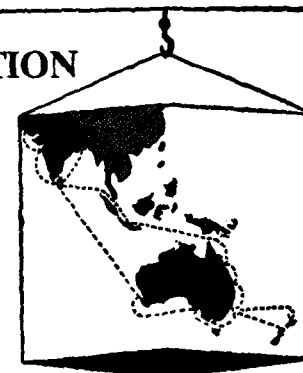
Now, with the worst of current adjustments apparently about over, and a recovery trend in view, it is instructive to compare this 1957-58 dip with previous economic declines. It now appears, in retrospect, that the current adjustment has been somewhat steeper than either of the other two post-war adjustments of 1953-54 and 1948-49, both of which hit bottom in about a year's time. But like those others, it has been a far cry from the bitter depression of the early 1930's. The 1957-58 business dip has run for close to a year now. In this time, industrial production — the most seriously affected of the major indicators — has fallen about 14 per cent. This exceeds the rate of decline in 1949 and 1954, and is nearly equal to the rate in the first year following the 1929 financial collapse. The key point, however, is that industrial output this year is not likely to fall much, if at all, further. In contrast, the decline from the late 1929 peak to the 1932, though it lasted 43 months, for a total drop of close to 50 per cent. Moreover, industrial production is not the only measure of economic vitality. Another significant difference between the pre-war and post-war U.S. economies lies in the movement of personal incomes. In the first eight months of the 1929-30 decline, total personal income fell about 8 per cent — a rather sharp drop in purchasing power. The corresponding dip in 1948-49 was only 3 per cent, in 1953-54 about 2 per cent and in 1957-58 it was only 1.5 per cent.

This reflects the economic changes that have tended to cushion incomes, and hence the overall impact of business adjustments, in the post-war period. Added to the economy since the early 1930's, for instance, have been such measures as unemployment compensation, other social security payments, minimum-wage legislation, and farm price supports. Another effect of these changes is seen in the fact that the gross

national product (GNP) — the total output of goods and services — has declined only 5 per cent since the mid-1957 peak, and may start moving upward again fairly soon. This also reflects the fact that the current adjustment has not affected all segments of the economy to the same extent, but has been confined largely to certain industrial sectors, notably durable goods output. In contrast, the GNP decline from 1929 to 1930 was in the neighbourhood of 12 per cent, and it ran to 45 per cent before the 1953 levelling out. There are other important differences between the pre-war and post-war economies that also must be taken into consideration. Unlike 1929, there has been in the post-war period no runaway stock-market boom, and the Government now has the type of authority it did not have then to curb speculative excesses. Also preventing the kind of financial catastrophe that struck in 1929 is the fact that bank deposits now are insured by the Government. In addition, housing credit is much sounder and incomes are more evenly distributed among the people. The current adjustment, in fact, has been marked by a notable rise in the liquidity of business firms, financial institutions and individuals. Bank deposits and reserves are up, holdings are spread fairly evenly, and the cash positions of corporations are basically sound. This increased liquidity has been another important factor in ameliorating the economic and financial impact of the adjustment and in limiting its size and extent. Finally, there is far more knowledge today than ever before of the workings of the economy and the remedies to be taken in promoting a sound revival of activity. This is reflected in the larger post-war role assumed by the government in helping the economy over the rough spots during adjustment periods. And with this knowledge and governmental action has come a much greater popular confidence in the underlying health of the economy — a confidence that itself is a strong stimulus to economic recovery.

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Company Meeting

THE MYSORE SUGAR COMPANY, LTD., BANGALORE.

The twenty-fourth Annual General Meeting of the MYSORE SUGAR COMPANY, LIMITED, was held at the Registered Office of the Company at Bangalore on Friday the 30th May, 1958. The meeting was attended by a large number of shareholders and was presided over by Shri B. M. Krishnan, I.A.S. (Retd.) Chairman and Managing Director of the Company. The following is the speech of the Chairman at the meeting:

Gentlemen,

I welcome you to the Twenty-fourth Annual General Meeting of the Shareholders of the Mysore Sugar Company, Limited. The occasion is a particularly happy one as we are meeting in the Silver Jubilee year of the Company. During 25 years of its existence the Company has steadily progressed from strength to strength and has come to occupy a pre-eminent place in the sugar industry of the country. It has succeeded, in a remarkable degree, in satisfying the consumption potential of our State in respect of an essential commodity like sugar, enriched the Mandya District by generally improving the economic condition of the agricultural classes in the area, created wide range of employment opportunities and, above all, made substantial contributions to the Central and State Exchequers.

2. The Report of the Directors and the audited Statements of Accounts for the year 1956-57 have been in your hands for some time and I shall, with your leave, assume that they may be taken as read. This meeting should, in the ordinary course, have been held a few months ago and, due to reasons beyond the control of your Directors, there has been some unavoidable delay. This will be appreciated when it is remembered that yours is a Government Company which is subject to certain special provisions regarding audit by the Comptroller and Auditor-General of India. With a view, therefore, to mitigating the inconvenience to shareholders from the delay in holding the meeting and the consequent delay in payment of dividend, your Directors have already declared and disbursed, in anticipation of your approval, the dividend of 20 per cent which they have proposed in their Report. Permit me to say, that this action of your Directors meets with your approval.

3. Shri S. Muninanjappa, I.A.S., (Retd.) who was the Chairman and Managing Director of your Company for the major part of the year 1956-57, relinquished his office on 7th April, 1957, on his appointment as the Managing Director of the recently nationalised Kolar Gold Mines. He was succeeded by Shri K. Thiperudiah, I.A.S., (Retd.) who, has signed the Balance Sheet, and, on his resignation, I took over as Chairman and Managing Director with effect from the 6th February, 1958. Although I have been in office for only a short time I shall, following the usual practice, say a few words about the position of the industry and the working of your Company.

4. The year 1956-57 was a notable one for the sugar industry of India, when production of sugar reached a high level of 20.3 lakh tons, representing an increase of 1.7 lakh tons over the previous year's

record. With the increase in the number of factories and the expansion of the several existing factories, already licensed, there is every reason to hope that production during the current year will register a further increase and that the second Plan target of 22.5 lakh tons of sugar will be easily achieved next year. But, the sudden expansion of the Khandasari process of sugar manufacture in Northern India seems to be becoming a disturbing factor in the sugar economy of the country.

5. Another creditable achievement of the industry was that India was able to enter the International sugar market as an exporter and earn valuable foreign exchange to the tune of Rs. 12 crores. The subsequent steep fall in world prices of sugar has, however, hampered the prospects of building up a permanent export market. And even if sugar is to be exported for earning the much needed foreign exchange, the price to be paid becomes prohibitive. Considering both the immediate necessity and the long range advantages of a regular export market of our sugar, the Indian Sugar Mills Association has submitted certain proposals to the Government of India for promoting exports on a subsidised basis and an early announcement of a sugar export policy on an all-India basis is now awaited. While production has been steadily on the increase, contrary, perhaps, to expectations, demand for internal consumption has not improved but has been somewhat stationary at 19.5 lakh tons per annum. This can probably be attributed to the prevailing high prices of sugar in India and also, to some extent at least, to a long-standing imbalance in production between the Southern and Northern regions of the country.

6. The high price of Indian sugar has been a standing complaint from the general public and the current wide disparity in the prices ruling for Indian and foreign sugars points to the need for a policy of scientific rationalisation in our sugar prices. But what is not realised, or is not so well-known, is that the industry is helpless in regard to this matter, as the major elements in the cost structure are entirely beyond its control. A break-up of the sugar price will show that sugarcane, the price of which is statutorily fixed, accounts for 42 per cent, while excise duty and cane cess together account for another 35 per cent. With salaries and wages and cost of labour amenities increasing year after year and the appreciating costs of spares and stores, fuel and even water in some cases, there appears to be little scope for the industry to effect economies in manufacturing costs. A Central Wage Board for the Sugar Industry has recently been set up and it remains to be seen to what extent the wage bill is likely to be altered as a result of the Board's recommendations.

7. Here, I would like to make a reference to a matter of urgent and topical importance to the sugar industry at the present moment. In pursuance of their policy of making the cane growers share in the prosperity of the industry, the Government of India have very recently announced their acceptance of the principle of linking the price of sugar-cane with the price of sugar, by the application of a formula, recommended by an Expert Committee. From such details as are now available, it is apprehended that the formula, if enforced in its present form, will cause great financial hardship and cripple a large segment of the industry in the country. Your own Company will be the one that would, in all probability, be hard hit. According to our appreciation of the effects of the suggested formula of the proposed deferred price for cane over and above the statutory price, it is seen that, far from there being any profit, we will have to register a certain loss. While the ryots should get a fair and even liberal price for their cane, consistent with returns which they would derive from alternative crops and the earnings and paying capacity of individual units, the application of the present formula will put sugar industry in a financial predicament and may lead to results which it is obviously nobody's intention to achieve. I earnestly hope that the authorities concerned will give due consideration to the appeals and suggestions made by the industry and suitably revise the formula, so that the fortunes of the industry are left in a sound position to help the ryot on the one side and all other sections intrinsically concerned with its future place in the industrial economy of the country, on the other. More details, I am not in a position to place before you because the several financial and economic implications and consequences of the proposal are still sub-judice, as it were, and have not crossed the stage of negotiation and appeal.

8. Finally, let me assure you that your Directors are doing their best in this matter to secure a solution of the problem which, I am sure, will find acceptance to the industry as a whole and all sectors concerned with its well-being and prosperity.

9. I shall now turn to the affairs of your Company. As you would have observed from the Directors' Report and the audited Accounts, the results of the year under review were somewhat unfavourable. This year under review was not altogether unexpected and had been forecast by my predecessor while addressing you in December, 1955. Ours being an industry, based on agriculture, monsoons play a large part in its fortunes. Cane cultivation in the Mandya District suffered a set-back in 1955 due to poor monsoons and on account of the inadequate cane supply, our factory could not work to full capacity. The result has been less production at greater cost and the consequent financial results are fully reflected in the Accounts. Crushing of cane started on the 19th August, 1956, and closed on the 13th February, 1957, the number of working days being 175, as against 266 in the preceding season. Cane crushed during the season was 2,24,341 tons and the output of sugar 21,631 tons. The corresponding figures for the preceding season were 3,47,523 tons and 34,798 tons.

10. There was no change in the sugarcane price which continued to be Rs. 39-2-1 per ton. Unlike the previous two years, no provision has been made for the payment of any additional cane price, in view of the short-fall in earnings. The cess on sugarcane continued at the high rate of Rs. 6 per ton. In this context, the assurance of the Mysore Government to rationalise the levy of sugarcane cess in the different parts of the re-organised State is only to be welcomed.

11. Sugar sales during the year under review dropped to 26,325 tons, against 35,540 tons in the year

preceding. The realisations therefrom amounted to Rs. 2,32,71,910 as against Rs. 2,79,13,587 in the preceding year. Towards the close of the year, that is, from 15th May 1957, the Excise Duty on sugar was doubled from Rs. 112-8 to Rs. 225 per ton. Another event of importance to the sugar trade occurred on the 13th December, 1957, when the sales tax on sugar, levied by State Governments at varying rates, was integrated with the Central Excise Duty by raising the latter to Rs. 291-4 per ton. Trading conditions were favourable and we were able to realise a slightly higher net price on sales. But this advantage was more than offset by the higher cost of production resulting from lower output.

12. The trading operations of the Company during 1956-57 have resulted in a gross profit of Rs. 15,65,562-1-7. After meeting administrative charges and setting aside Rs. 6,62,761-0-6 for depreciation, there is a net profit of Rs. 4,33,214-15-2 as against Rs. 9,11,573-11-4 in the preceding year. No provision has been made for payment of taxes, as the amount at credit of the taxation reserve is estimated to be sufficient to meet the current year's liability, inclusive of Wealth Tax. The decline in profit is to be attributed to the lower production at higher cost and the consequent reduced profit margin on sales, despite the higher realisation per ton of sugar. The cost of production in our factory is above the standard cost incidence, even in normal years, and this was particularly so during the year under review. The earnings from the Distillery were also below normal due to a reduced off-take of alcohol and to lower prices realised on sales. The profit available for distribution, inclusive of the balance of Rs. 2,63,106-11-3 brought forward, comes to Rs. 6,96,321-0-5. Notwithstanding the sizeable fall in profits, your Directors have recommended, and since paid in anticipation of your approval, a dividend at the usual rate of 20 per cent, which absorbs Rs. 4,35,800. After making a contribution of Rs. 50,000 to the Employees' Gratuity Fund which was created last year with an initial contribution of Rs. 5 lakhs there remains a balance of Rs. 2,10,465-10-5 which is proposed to be carried forward.

13. A matter that is closely related to the dividend policy of the Company and which has exercised the minds of shareholders for some years past is the utilisation of a part of our huge reserves for issue of bonus shares. We are technically advised that the capital block and the reserves and surpluses must be more rationally placed in our financial set-up than at present. The proposal, for one reason or other, has failed to materialise so far and the high rate of tax on bonus issues that is now in force renders the problem still more difficult. All the same, your Directors are keenly alive to the urgent need for bringing about a re-organisation of the capital structure of the Company and it is their earnest desire to finalise a scheme to meet the aspirations of the shareholders for bonus shares during this memorable year of the Silver Jubilee of the Company. As a first step in this direction, you will be glad to hear that in the revised Articles of Association, that are now placed before you for approval, a clause has been added providing for capitalisation of reserves and issue of bonus shares. The existing Articles, you will please note, do not contain such a provision.

14. The expansion scheme of the factory designed to achieve a balanced capacity of 2,000 tons of cane per day has made satisfactory progress. In reality, the scheme envisaged not only expansion by a balancing of the units, but also replacement and modernisation of machinery, which are essential for achieving a greater all-round efficiency of operation. In order to realise the full benefits of the expansion scheme and to ensure a comfortable crushing of 2,000 tons of cane

per day, we need some more machinery and equipments. The existing difficult foreign exchange position stands in the way of our programmes for expansion. A scheme for the expansion of the Distillery, so as to step up production to 12 lakh gallons of alcohol per annum, as against its present average capacity of 8 lakh gallons, is under execution. We are now receiving large orders from the Government of India for our alcohol and if we continue to get these orders and also take measures to improve and strengthen our market there need be no difficulty in disposing of the entire output of the expanded Distillery. But the prices realised on sale of alcohol to large industries are so low and uneconomical that we can hardly make a profit on this business. Here, I may say that the recent recommendations of the Industrial Alcohol Committee, for the fixing of ceiling prices for alcohol are not very encouraging. While the Committee has made certain recommendations for the development of alcohol-based industries, for facilities for export of alcohol and for the constitution of a Development Council for alcohol and products based on it, which are to be welcomed, the price for alcohol suggested by the Committee is so low as to make alcohol manufacture an uneconomical proposition.

15. From what I have stated above, it will be apparent that both our Sugar Factory and Distillery are well on the road for achieving higher production in the near future and, given favourable conditions, we can look forward to better results from their working in the years to come. You will be glad to hear that the factory has crushed very nearly four lakh tons of sugarcane during the current year and has achieved a record production of 39,545 tons of sugar. Similarly, under the pressure of heavy orders, the production of alcohol has registered an appreciable increase. As against these encouraging achievements and prospects, one disquieting aspect is the uneconomical working of our sugarcane farms. By reason mainly of the high cost of wages and overheads and due to the prevailing practice of keeping the labour all through the year regardless of the seasonal nature of agricultural operations, the labour costs on the farms have been steadily rising without any corresponding benefits. The economics of our farm operations are thus intimately bound up with labour problems and a decision taken a few years ago to close down some of the farms could not, therefore, be implemented so far.

16. In the sphere of labour relations, I am happy to say that the relationship between the Management and Labour in our Company was cordial during the year under review and that several points of difference were amicably settled after discussion and negotiation. A few disputes, perforce, have had to be referred for adjudication and one of these is the vexed question of bonus. Among the terms of reference of the Central Wage Board for the Sugar Industry, which is presently examining the wage structure of the industry, is the working out of principles governing the grant of bonus to workers. The recommendations of the Board in regard to this important matter will be awaited with great interest by industries in general and the sugar industry in particular.

17. In conclusion, I desire to express my sincere thanks to my colleagues on the Board for their kind co-operation and guidance. On their behalf, as well as on my own, I tender our grateful thanks to the Central government and to the Government of Mysore for their assistance and support. Finally, it is my pleasant duty to pay a tribute to the good work put in by our Officers and workmen and to their sense of discipline.

18. Gentlemen, I now move that the Directors' Report and audited Statements of Accounts for the year ended 30th June, 1957 be adopted.

The Report and Accounts for the year 1956-57 were adopted and the payment of dividend of 20 per cent, already made, was ratified. Shri L. Siddappa and Shri S. R. Aswath, retiring Directors, were re-elected and Shri B. M. Abu Baker and Shri M. Malleshayya were elected as Directors in two of the existing vacancies on the Board. By a special Resolution passed unanimously the revised Articles of Association of the Company were approved and adopted.

With a vote of thanks to the Chair proposed by Shri T. G. H. Rao, the meeting terminated.

H. MAHARUDRIAH,
Secretary.

BANGALORE,
31st May, 1958.

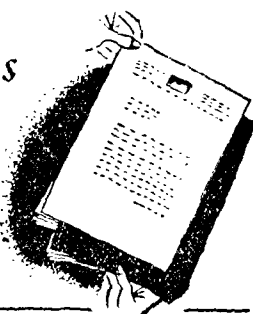
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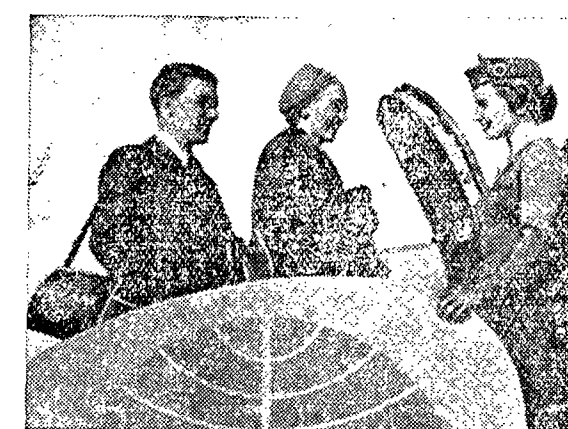
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Company Meeting

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SPEECH OF THE CHAIRMAN SETH KASTURBHAI LALBHAI

The following is the speech delivered by Seth Kasturbhai Lalbhai at the Eleventh Annual General Meeting of the Company held on 12th June, 1958.

Gentlemen,

I have great pleasure in welcoming you this afternoon and presenting to you for adoption the Eleventh Directors' Report and the audited Statement of Accounts for the year ended the 31st December, 1957. These have been in your hands for some time now and I believe I have your permission to take them as read.

The Accounts as usual contain the corresponding figures for the last year for comparison. You will have noticed that the provision for taxation this year amounts to Rs. 12,00,000 including a provision of Rs. 6,50,000 for 1956. Our anticipation that provision made last year would take care of the increased incidence of tax liability due to increased rate of income-tax and Corporation tax and the new levy of Wealth tax has not unfortunately come out true. This was mainly due to non-allowance of the expenses incurred for issue of Debentures for the purposes of assessment. The provision of Rs. 5,50,000 made for current year's tax liability is slightly on a higher side than the estimated incidence and is expected to cover eventualities, if any, such as those we had to encounter in respect of last year's assessment.

It is a happy augury that the provisions with regard to the Current Profits deposits, introduced in November 1956, have been kept in abeyance this year. We hope, in due course, these provisions will be entirely removed from the Statute Book. The incidence of tax on Corporations, however, still continues to be very heavy and is working as a drag on capital formation required for starting any new industry or expanding the existing ones. If the targets fixed by the second Five-Year Plan for the private sector have to be achieved, it is essential that quite a few irksome provisions contained in the Tax Statute are removed as early as possible. I may particularly mention here the recent provisions regarding the Development Rebate. Though the rigours of the original provisions have been watered down to a certain extent, still the provisions continue to act as a disincentive and require some further consideration. Any new industry would find it extremely difficult to make any profits as such during the first year of its operation, much less a profit up to 75 per cent of the Development Rebate. If, therefore, the Development Rebate is to act as an encouragement to the establishment of new industries as originally conceived, it is high time that the recent provisions made with regard thereto are amended as early as possible and the 'status quo' restored. Capital required by private enterprise for meeting the obligations cast upon it under the National Plan is likely to come forth only if the role the risk capital has to play is recognised and its due rewards commensurate with the risks involved are not unnecessarily whittled down.

You may recall that last year I referred pointedly to the figures of imports of yarn made into the country for the year ended 31st March, 1957. The actual imports for that year came to as much as 62 million lbs. of yarn which combined with the indigenous production of 21 million lbs. for the year made available to the country as much as 83 million lbs. of yarn. This quantity was evidently far in excess of the requirements of the country and had its natural effect resulting in bringing down the prices of rayon yarn for the first two quarters of 1957 to very low levels. The situation,

however, has completely changed now. Due to the paucity of foreign exchange the Government has been compelled to restrict imports of yarn considerably which has resulted in a steep rise in prices. Your Directors nevertheless have continued to maintain the prices of the Company's products at reasonable levels and I believe you will all agree that under the circumstances in which the country is placed at present, that is the best policy for everyone concerned to follow.

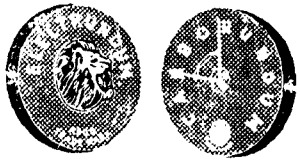
With a view to equitable distribution of the Company's products amongst the several consumers, your Company in concurrence with the authorities concerned have evolved a scheme whereby 70 per cent of the yarn will be distributed directly amongst the consumers at the prices fixed by the Company and 30 per cent will be distributed through dealers at a margin of not more than 3 annas over the Company's prices. We have also taken a stand that the regular consumers of the Company's yarn would first be given their due quota based on the average off-take of yarn by them during the past 3 years before considering distribution of yarn to any new comers. Happily this stand has been appreciated and accepted by the authorities.

The Import Policy of the Government with regard to the import of essential raw materials permits imports of requisite quantities of these raw materials for running the plant to its full capacity. The foreign exchange position of the country, however, is giving cause for great anxiety in every quarter irrespective of the foreign aid received by the Government of India recently. It is only to be wished that the country's position in this regard would improve and it would be possible for the Government of India not only to permit continuance of this policy of allowing full imports of all essential raw materials but also permit imports of essential capital goods for expanding the capacities of several industries.

Before I conclude, I take this opportunity to express my sincere appreciation of the very good work done by the workers and the staff, technical and non-technical alike, whose efficiency, loyalty and co-operation have contributed in no small measure to the satisfactory working of the Company.

NOTE: This does not purport to be a record of the proceedings of the Annual General Meeting.

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COMPANY AFFAIRS

A sum of Rs. 2,01,787 has been decided to be carried forward.

No provision has been made for liability to wealth tax. Payment of wealth tax is not considered, by the directors, to be a charge against the current profits of the Company, and the Board, therefore, intends to charge against reserves any payment made in respect of such assessments.

Increasing extraction of residual atta continued throughout the year and resulted in a substantial reduction in flour production. This again contributed towards making atta available to the public at reasonable prices. Restriction on the movement of wheat products imposed by Government early in the year interfered considerably with the goodwill of the Company in many States of India.

PRESIDENCY JUTE MILLS CO. LTD.

In spite of difficult trading conditions, the Balance Sheets of some Jute Companies are showing some improvements in their working results. The audited accounts of the Presidency Jute Mills Company Limited for the thirteen months ending July 31, 1957 show net profit of Rs. 2,05,210, which is about 45 per cent higher than the profit during the previous year. The provision for depreciation at Rs. 2,04,705 and Taxation at Rs. 1,82,000 is also higher as compared to the previous year when the provision for these two items was Rs. 71,000 and Rs. 1,14,800 respectively. A sum of Rs. 96,344 has been transferred to development reserve.

The directors have recommended a dividend at the rate of Rs. 0.30 nP. per share on 500,000 ordinary shares. absorbing Rs. 1,50,000. A sum of Rs. 45,825 was brought forward from the previous year's account and this year a sum of Rs. 7,049 has been carried forward.

In accordance with the working time Agreements of the Indian Jute Mills Association working hours were 48 per week with 12½ per cent of the total looms sealed. The Company purchased loom hours during the period and worked 265 looms in a double shift basis throughout the period.

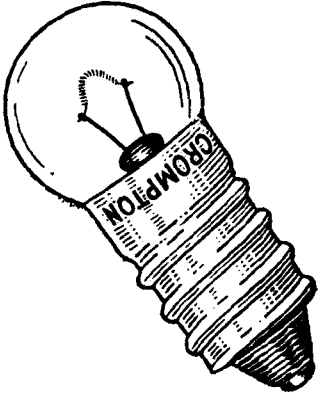
CHITALVALSAH JUTE MILLS CO. LTD.

In the case of Chitalvalsah Jute Mills Co., Ltd., also the working results in the thirteen months ending July 31, 1957 show an improvement. The net profit show at Rs. 5,15,144 against Rs. 3,62,905 during the previous year. A sum of Rs. 3,10,684 was provided for depreciation and Rs. 4,80,000 for taxation, including wealth tax. Last year provision towards these two items was Rs. 85,173 and Rs. 3,35,000 respectively. Another sum of Rs. 1,75,000 has been transferred towards development reserve. The interim dividend declared on December 12, 1957, at the rate of Rs. 3.50 nP. per share on 5,000 preference shares and Rs. 0.60 nP. per share on 3,01,500 ordinary shares absorbed Rs. 1,98,400. Directors have recommended final dividend on preference shares at the rate of Rs. 4.08 nP. per share and 0.50 nP. per share on ordinary shares. A sum of Rs. 73,090 has been decided to be carried forward.

The mills of the company continued to work in accordance with the main and supplementary working time agreements of the Indian Jute Mills Association. Plans for the modernisation of the mills were finalised during the period and installation commenced during January, 1958, of the first stage of modernisation approximately Rs. 13 lakhs, which is expected to be completed by July, 1958. The second stage of modernisation of sacking weft spinning machinery and the balance of the sacking warp spinning machinery are expected to be completed by June, 1959.

THE BENGAL FLOUR MILLS CO., LTD.

The good results shown by the Company for the year ended December 31, 1957, are essentially due to the new milling plant installed during the previous year. The profit, after providing for depreciation and taxation was Rs. 9,10,908 and was substantially higher than the previous years' figure of Rs. 5,13,605. The provision for depreciation and taxation was Rs. 1,78,882 and Rs. 10,88,086 against Rs. 1,65,938 and Rs. 4,51,728 during the previous year. Another sum of Rs. 5,00,000, has been transferred to general reserve. The Board of Directors had paid an Interim Dividend of 12½ per cent on December 28, 1957. The Directors have declared Final Dividend of 12½ per cent absorbing Rs. 1,50,000.




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COMMODITY NEWS AND NOTES

PACKAGE TEA AND LOOSE TEA

By the Central Excises and Salt (Amendment) Act, 1953, the flat rate of duty on tea of As. 3 per lb. was replaced by a double-decker tariff, which made a distinction between the package tea and loose tea. Since package tea is of a superior quality, it is assessable at a higher rate than loose tea. According to the tariff definition, tea packed in any container containing not more than 60 lbs. net is to be regarded as package tea. However, in view of the fact that tea has to be delivered in some container, and the general practice is that such tea is sold across the counter in retail packets which are tied up with strings or merely twisted at the mouth, it had been decided that tea sold in such containers should not be treated as package tea. It was brought to the notice of the Government that several dealers were taking advantage of the above interpretation, and tea was being sold in containers which had all the characteristics of package tea, namely, these packages bore the marks and description of the tea, the name and address of the blender, advertising qualities etc. Tea sold as such is to be regarded as package tea. It is, however, not the intention that even those paper bags which simply bear the name and address of the seller but do not bear any mark or description of blended tea or the name of the blender, or, its advertising qualities, should be assessed as package tea. In cases of doubts and difficulties the trade can contact the Collector of Central Excise concerned.

WORLD WOOL CLIP

For the first time since the war, world wool production is expected to show a fall in the current season. This is the main point in a statistical report presented to the International Wool Conference in Vienna, and which has been prepared in conjunction with the Commonwealth Economic Committee. World output in 1957-58 is estimated at some 5,020 million lbs. (greasy basis), or one per cent less than the revised total of 5,070 million lbs. in the previous season. The reduction affects only marine wool, which is down by 4 per cent, while crossbred and "other" (or carpet type) wools are expected to rise by one and 2 per cent respectively. Wool textile activity in the free world was slightly higher in 1957 than 1956, taking the year as a whole, but the Committee emphasises a marked difference between the first six months or so, when most branches of the industry were working at near-record levels, and later months when activity was sharply reduced. Wool consumption in the free world during 1957 is estimated at about one per cent more than in 1956, and constituted a new record. Italy showed the greatest proportionate increase, though improvements were also recorded in Japan, France, Western Germany and Australia, but the United Kingdom and Belgium showed little change. By contrast, consumption in the U.S.A. registered a sharp fall and was the lowest for nearly 20 years. A substantial reduction occurred in Uruguay, while more moderate falls were reported from the Netherlands and Canada. The volume of international trade in raw wool and wool goods was well maintained in 1957, if the year is considered as a whole, though the good performance achieved in the first two quarters was followed by less satisfactory results in the closing months.

PRODUCTION OF DRY CHILLIES

According to the Directorate of Economics and Statistics, Ministry of Food and Agriculture, the all-India final estimate of dry chillies, 1957-58, puts the current year's area and production at 1,534,000 acres and 355,000 tons as against the partially revised estimates of 1,476,000 acres and 342,000 tons respectively for 1956-57. This shows an increase of 58,000 acres or

3.9 per cent in area and 13,000 tons or 3.8 per cent in production over last year. The increase in current year's area and production of dry chillies has been shared mainly by Bihar, Punjab, Rajasthan and Madras States, and has been attributed generally to favourable climatic conditions, both during the sowing and growing periods of the crop. This increase has, however, been offset to some extent by the decreases registered in Andhra Pradesh, Mysore and Assam States.

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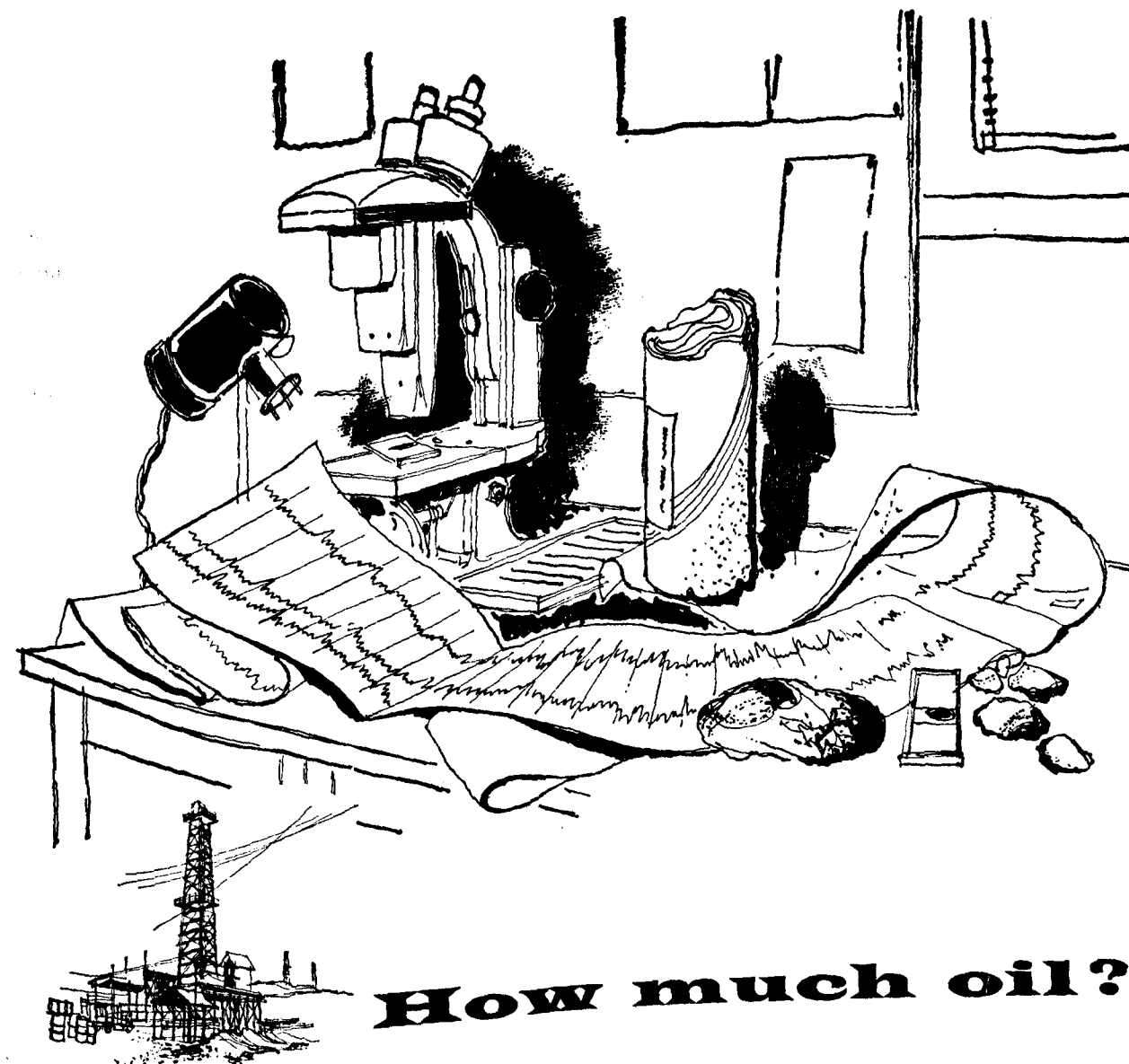
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Tests carried out in oilfield laboratories include analyses of samples of rocks and oil recovered from the well. From rock samples it is possible to calculate how much room there is for the oil in the spaces between the grains of sand in a sandstone rock, and the amount of water associated with the oil. An analysis of a sample of crude oil gives data about its gas content and other characteristics.

With all this information to hand the development of the oil find can proceed on a planned basis, and decisions can be made on how far apart the wells should be drilled, how deep they should go, how many drilling outfits will be kept in operation, and what size of refinery will be required.



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CURRENT STATISTICS

INDEX NUMBER OF WHOLESALE PRICES

(Base: 1952-53=100)

						Manufactures			
		Food articles	Liquor & Tobacco	Fuel Power Light & Lubricant	Industrial Raw materials	Inter- mediate Products	Finished Products	Total	All Commo- dities
1954-55	..	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.5
1955-56	..	86.6	81.0	95.0	99.1	100.1	99.6	99.7	92.4
1956-57	..	102.2	84.3	104.1	116.0	110.9	105.5	106.2	105.2
1957-58	..	106.4	94.0	113.6	116.5	107.3	108.1	107.9	108.4
October	1957	..	107.2	95.0	114.5	114.8	106.7	109.1	108.6
November	"	..	107.9	96.5	115.0	116.0	106.0	108.8	108.4
December	"	..	104.0	97.5	114.9	115.4	105.7	107.8	107.5
January	1958	..	102.5	96.4	114.6	113.6	106.7	107.8	107.7
February	"	..	100.8	96.7	114.8	111.1	105.8	107.7	107.4
March	"	..	102.3	94.9	114.5	111.3	106.8	107.7	107.6
April	"	..	105.2	93.4	114.6	114.1	108.8	107.9	108.0
Week Ended									
26-4-1958	..	105.7	93.4	114.5	114.2	108.7	108.1	108.2	107.7
3-5-1958	..	105.9*	92.1	114.5	114.2*	108.5	107.7*	107.8*	107.7*
10-5-1958	..	106.5*	92.1	113.6*	113.1	108.3	107.5*	107.6*	107.8*
17-5-1958	..	106.8	92.1	113.5	113.3	107.5	107.8	107.6	108.0
24-5-1958	..	108.2	92.1	114.9	113.3	107.8	107.6	107.6	108.7

* Revised.

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

period	Bombay			Delhi†	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934 = 100	Ahmedabad July 1927 = 100				Nagpur	Jubbulpur†				
1939 (Aug Dec.)	103	—	—	—	—	—	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	138
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	260	143	351	441	380	150	330	161	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	218	130	321	371	364	133	321	134	135	132
1956	336	352	244	142	347	424	397	151	356	152	146	145
1957	352	368	259	150	364	448	422	162	375	157	158	152
1957 June	352	368	259	152	371	446	423	168	373	159	158	155
July	358	374	263	152	371	459	424	165	375	159	158	155
August	359	375	265	155	375	468	427	163	373	157	166	156
September	357	373	262	149	378	464	426	160	372	156	167	157
October	356	372	260	149	375	461	429	162	375	155	164	156
November	365	383	265	148	378	457	431	165	391	156	168	157
December	365	383	267	145	375	443	432	165	390	154	168	156
1958 January	364	381	254	144	368	434	435	162	387	151	166	153
February	362	380	248	143	364	427	434	159	387	149	163	153
March	364	381	253	142	368	427	435	159	385	151	164	152
April	371	389	261	142	368	436	—	160	384	151	163	153*
May	—	—	—	143	—	443	—	—	387	—	—	—

† Base 1944 = 100.

* Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	6-6-1958			30-5-1958			23-5-1958			16-5-1958		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola) ..	109.56	107.37	108.38	110.44	107.06	109.43	112.44	110.62	111.39	114.75	111.72	113.38
Silver (per 100 fine tolas)	185.06	181.31	183.48	186.31	182.56	184.97	191.50	187.00	188.51	195.25	192.19	193.28

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5+6) as percentage of (4)	Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Govt. Securities in India
	Demand	Time	Total (2+3)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1948-49	674,56	303,88	978,44	37,51	76,63	11.67	424,85	16.44	45.10	—
1949-50	597,79	272,59	870,38	34,47	65,85	11.53	426,74	15.35	50.79	—
1950-51	599,13	278,45	877,59	34,68	60,78	10.88	447,03	11.87	52.29	303.48
1951-52	593,73	290,82	884,55	37,33	57,29	10.70	523,59	22.81	63.06	306.34
1952-53	546,23	309,26	855,49	33,33	51,82	9.95	461,64	33.47	60.48	321.29
1953-54	526,75	328,26	855,00	31,97	44,48	8.98	442,79	51.40	59.56	339.74
1954-55	559,62	351,86	911,55	32,66	53,91	9.50	468,39	84.66	60.68	370.71
1955-56	608,64	407,95	1,016,59	34,64	52,62	8.69	514,37	118.08	63.02	359.35
1956-57	653,34	453,92	1,107,26	36,94	50,23	7.96	626,08	155.56†	71.39	385.54
1957-58	723,89	619,19	1,343,08	39,34	77,55	8.72	723,79	167.32†	66.77	—
Average of Fridays										
February 1958	721,05	722,68	1,443,74	38,28	70,05	7.50	773,17	155.96†	64.08	432.90
March	738,44	727,12	1,465,56	38,21	68,11	7.26	793,31	154.39†	62.66	438.50
April	772,41	758,19	1,530,60	40,74	84,14	8.25	802,60	158.73†	62.81	442.57
May	746,93	790,99	1,537,92	39,48	83,75	8.01	788,72	151.46†	61.13	445.77
Week Ending										
25-4-1958	774,80	768,70	1,543,50	41,97	90,78	8.60	797,15	159.11†	61.95	445.01
2-5-1958	752,50	791,07	1,543,57	40,15	99,18	9.03	798,27	157.12†	61.90	444.06
9-5-1958	752,17	790,20	1,542,37	40,35	107,31	9.57	795,18	153.47†	61.51	425.46
16-5-1958	743,00	787,51	1,530,51	39,35	68,07	7.02	788,31	151.58†	61.41	440.31
23-5-1958	740,55	793,11	1,533,66	38,56	69,38	7.03	784,18	149.96†	60.91	439.86
30-5-1958	746,41	793,06	1,539,47	39,00	74,85	7.39	777,65	145.16†	59.94	497.18

† Including foreign bills purchased and discounted.

MONEY SUPPLY IN INDIA

(Lakhs of rupees.)

Last Friday	Money supply with the public	Total currency with the public	Deposit money with the public			Total variations in money supply
			Total	Demand liabilities of banks	Other deposits with Reserve Bank†	
(1)	(2)=(3)+(4)	(3)	(4)	(5)	(6)	(7)
1953-54	1,793,97	1,229,43	564,54	549,83	14,71	+29,26
1954-55	1,920,83	1,311,77	608,86	599,16	9,71	+126,65
1955-56	2,184,32	1,505,09	679,23	667,22	12,01	+263,69
1956-57	2,312,89	1,556,60	756,39	744,74	11,65	+128,57
1957-58	2,387,41*	1,605,55*	781,86*	761,99*	19,87	+74,52*
May 1957	2,381,99	1,596,43	785,55	672,79	23,55	+19,62
June	2,344,04	1,562,85	781,19	758,55	22,64	-37,95
July	2,307,41	1,522,11	785,30	763,41	21,89	-36,63
August	2,237,92	1,490,78	747,14	735,72	11,42	-69,49
September	2,233,79	1,491,03	742,79	729,99	12,81	-4,10
October	2,279,69	1,496,90	782,79	768,23	14,56	+45,87
November	2,242,78	1,499,11	743,66	730,54	13,12	-26,91
December	2,274,92	1,526,17	748,75	732,24	16,51	+32,14
January 1958	2,318,35	1,554,11	764,24	748,23	16,01	+43,43
February	2,329,23	1,570,35	758,87	743,68	15,20	+10,88
March	2,387,63*	1,605,85*	781,78*	761,91*	19,87	+58,40*
April	2,449,20*	1,642,67*	806,53*	791,86*	14,67	+61,57*

* Provisional.

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

Source: Monthly Bulletin of Reserve Bank.

Industrial Capacity and Production in 1956 and 1957

LEATHER AND RUBBER INDUSTRIES

	1956			1957		
	No. of Units	Installed Capacity	Actual Production	No. of Units	Installed Capacity	Actual Production
Leather						
*1. Vegetable tanned hides by organised units (expressed in terms of cow hides — one buff. hide — 2 cow hides) — (In terms of cow hides)	24	3,419,400	1,683,111	23	3,179,400	1,791,855a1
*2. Chrome tanning of hides (Hides)	13	1,679,400	741,552	12	1,643,400	630,462a2
*3. Western Type of Leather Footwear (Pairs)	12	5,974,800	3,620,230	12	5,974,800	4,369,650a1
*4. Indian Type of Leather Footwear (Pairs)	12	§	2,910,763	12	§	3,038,124a1
5. Glue (Cwts.)	9	48,060	21,830	9	48,060	25,813a1
6. Pickers (Gross)	9	73,092	27,261	9	56,520	23,324a2
6a. Myrobalan Extract (Tons)	3	9,960	4,075	3	9,960	3,800**a3
RUBBER MANUFACTURES						
7. Belts						
(i) Radiator Hoses (Nos.)	9	865,160	725,079	6	1,091,060	652,730a2
(ii) Vee Belts (Industrial) (Nos.)	4		266,946	5	—	450,844a4
8. Dipped Rubber Goods (Dozens)	15	45,642,460	25,994,320	14	42,826,260	19,847,030a2
9. Ebonite (Lbs.)	14	1,158,940	209,642	14	1,383,484	239,846a5
10. Hoses:						
(i) Radiator Hoses (Nos.)	9	590,450	248,792	9	570,000	171,313a6
(ii) Vacuum Brake Hoses (Nos.)	4	1,080,000	551,607	4	1,080,000	779,224
(iii) Other Types of Hoses (Feet)	14	11,226,600	6,603,530	14	11,344,800	7,981,681
11. Latex Foam Sponge (Lbs.)	7	1,473,996	1,776,101	7	1,674,000	1,955,758a7
12. Rubber Components of Railway-Fitting (Springs) (Nos.)	4	1,536,000	1,655,470	4	1,536,000	1,763,113
13. Rubber Footwear (Pairs)	18	43,102,260	36,117,048	19	48,663,660	36,891,767

Brief explanations for appreciable fall or rise:

- a1. Fuller utilisation of capacity owing to increase in demand.
a2. Fluctuation in demand.
a3. Fall due to fluctuation in demand. Capacity re-assessed for 1957.
a4. Combined capacity for Fan Belts and Vee Belts.
a5. Increase in demand. Capacity revised by one of the units for 1957.
a6. Fall due to fluctuation in demand. Capacity revised by one of the units in 1957.
a7. Capacity revised by one of the units in 1957.
- * In addition, vegetable tanning of buffalo and cow hides is also carried on Cottage Industry basis in almost all village and on small scale basis by over 500 taneries mostly situated in South India. The annual output of the tanned buffalo and cow hides by the two sections combined is estimated at 16 to 17 million skins a year for vegetable tanning.
- † In addition there are about 250 small scale chrome tanneries mainly situated in the Calcutta area and owned and run by the Chinese community. Their annual output is estimated at about 1.5 million hides.
- ‡ In addition, Western type of leather footwear is also produced on a cottage and small scale industry basis in many parts of the country. Agra is the best known and is the largest Western type footwear producing centre on cottage and small scale industry basis. Annual production by this method is estimated at 12 to 13 million pairs.
- § In addition, indigenous type of leather footwear are also produced on cottage and small scale industry basis in almost all parts of the country. Production from this source is estimated at 65 to 70 million pairs annually.
- § There is no installed capacity as these are hand-made and production depends upon demand.
- **Provisional.

Industrial Capacity and Production in 1956 and 1957

METALLURGICAL INDUSTRIES

	1956			1957		
	No. of Units	Installed Capacity	Actual Production	No. of Units	Installed Capacity	Actual Production
(a) Virgin Metals						
(1) Aluminium (Tons)	2	7,500	6,501	2	7,500	7,784 a1
(2) Antimony (Tons)	1	700	589	1	700	502 a2
(3) Copper (Tons)	1	7,200	7,628	1	7,200	7,848 a3
(4) Lead (Tons)	1	6,000	2,497	1	6,000	2,974 a4
(b) Semi Manufactures						
(1) Aluminium Foils (Tons)	1	1,200	1,139	1	1,600	1,357 a5
(2) Aluminium Rods/Section (Extruded) (Tons)	1	960	375	1	960	738 a5
(3) Aluminium Sheets / Circles / Strips (Tons)	7	16,400	10,479	7	16,400	9,360 *
(4) Aluminium Wire Rods (for ACSR) (Tons)	2	17,400			17,400	
(5) Brass / Copper Pipes and Tubes (Tons)	2	10,800	2,366	2	10,800	3,290 a5
(6) Brass / Copper Pipes and Tubes (Tons)	1	360	52	1	360	63 a5
(6) Brass / Copper Rods including Arsenical Copper Rods, Bars and Sections etc. (Tons)	3	5,240	1,620	3	5,240	1,775
(7) Brass / Copper Sheets / Circles / Strips (Tons)	19	45,000	16,120	17	44,000	18,000 a5
(8) Brass / Copper Wire for non-Electrical purposes (Tons)	4	1,958	538	4	1,958	676 a6
(9) Lead Pipes and Tubes (Tons)	3	4,800	340	3	4,800	335
(10) Lead Sheets (Tons)	1	1,092	38	1	1,092	43 a5
(11) Zinc Sheets / Strips (Tons)	3	3,700	91	4	5,700	1,799 a7
(c) Non-Ferrous Alloys:						
Such as Antifriction Bearing Metal, Bell Metal, Bronze Gun Metal, Solders etc. (Tons)	15	68,000	17,215	15	68,000	19,000 a5
	9	18,580	20,480	10	18,820	23,343 a8
(d) Steel Castings (Tons)						

Brief explanations for appreciable fall or rise:

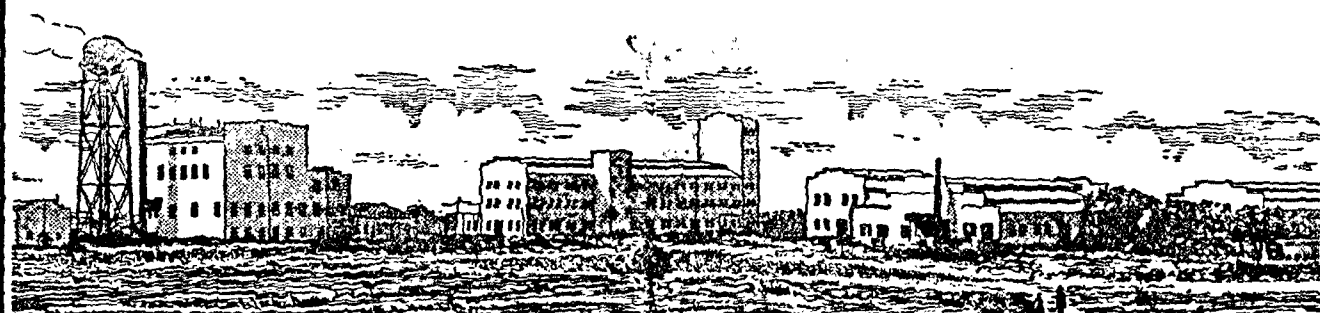
- a1. Both the plants working at more than capacity level.
a2. Fall due to shortage of imported antimony ore.
a3. Plant working at more than capacity level.
a4. Rise due to availability of ore (concentrates).
a5. Better demand.
a6. Slackness in demand.
a7. One more unit has gone into production.
a8. Rise due to utilisation of high percentage of melt, and one more unit has gone into production of this item.
- ** Provisional.

ATUL

DYES

CHEMICALS

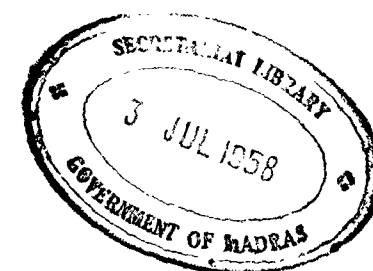
PHARMACEUTICALS



THE ATUL PRODUCTS LIMITED

ATUL, via BULSAR, Western Railway

Printed and Published by Devi Prasad Sharma at the Hindustan Times Press,
for "The Eastern Economist" Ltd., 52, Jan Path, New Delhi. Editor:—E. P. W da Costa, M. A. (Oxon.)



The Eastern Economist

XX. NO. 26.

NEW DELHI: JUNE 27, 1958.

ONE RUPEE

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Curiouser and Curiouser

As becoming curiouser and curiouser in high quarters of Government, what with policies programmes being constantly thrown into melting-pot. This is nowhere more in evidence than in respect of Food and Co-operation. The result that is the odd spectacle of a series of forward and backward movements executed in rapid succession. Contradictory ministerial pronouncements, especially in the matter of Food Co-operation, not only make confusion worse founded; they bespeak an almost settled lack of settled policies. It is not merely this lack of settled policies but the lack of co-ordination in ministerial statements bearing on policies that attracts public notice.

At least in the matter of Food, public memory is not short because it is a vital question which concerns everybody. Only in January last, it may be recalled, the Prime Minister publicly debunked the pessimistic approach of the Food Grains Inquiry Committee and authoritatively referred to the possibility of a short-term drive for increasing food production by 50 to 60 per cent on about 100 million acres of irrigated or fairly watered land and thereby achieving self-

sufficiency during the second Plan period itself. In the very next month the President's Address to Parliament contained a hopeful reference to food self-sufficiency, and it then looked as though this had become a settled policy in pursuance of which programme administration was going to be geared to putting into practice, on the largest possible scale, cheaper and simpler methods of manuring and irrigation for improving agricultural productivity in the short run.

This impression of a settled food production policy was short-lived for it was virtually rejected by the Food and Agriculture Ministry when Mr. Ajit Prasad Jain laid down, at the very outset of his reply to the Lok Sabha debate on the Budget demand for his Ministry, that food self-sufficiency in an economy developing at a high tempo was an ever-receding ideal and that in any case it was wholly out of question in the short-run of three years. It then looked as though the Food and Agriculture Ministry, which always had a decisive share in programme administration, had also a decisive voice in shaping policy or in vetoing a policy already shaped. The Ministry's latter role was tacitly accepted by the Lok Sabha when it

voted its Budget demand for grants after hearing the Food and Agriculture Minister's policy pronouncement.

This policy stand of the Food and Agriculture Ministry, it would appear from Mr. Ajit Prasad Jain's reported statement at Naini Tal last week, is again in the melting-pot. "We have been importing food grains", said the Minister, "for the last ten or twelve years but we cannot pursue this policy any longer. We should not only take steps to attain self-sufficiency but create such conditions in the country that we export food grains within the next few years. With this object in view we are preparing self-sufficiency programmes for deficit areas." This statement which represents a complete *volte face* on the part of the Food and Agriculture Minister is an eloquent commentary on the element of contradictoriness in ministerial pronouncements. From a situation, visualised by the Minister just a couple of months back, of indefinite imports of food grains to a situation, now visualised by him, of exports of food grains *within the next few years*, the swing of the pendulum is too good to be believed. The Ministry's changed stand may thus be more apparent than real for it is by no means certain that the change has been provoked by a major policy decision by the Cabinet as a whole. It would be interesting to know what decisions have been taken by the Cabinet on the Food Grains Inquiry Committee's recommendations.

If Food has still not acquired a definite policy, Co-operation has fared no better. Only in April last, it may be recalled, the Prime Minister told the public that he and his Government had com-

mitted a mistake in deciding in favour of big State-sponsored or State-partnered co-operatives as recommended by the Rural Credit Survey Committee and this major policy decision had come in for revision. In pursuance of this changed policy the Uttar Pradesh Government, for example, was recently reported to have initiated some steps to split up a certain number of big societies into a larger number of small ones, each possibly covering one village. But the Union Food and Agriculture Minister told the U.P. co-operators last week that "it was a dead concept that there should be one society for one village".

Mr. Jain has since, through an indirect official source, described this as a misleading report because he had favoured large co-operative societies covering four or five villages only if they were too small, each having 50 households or less. This correction is no straight denial of what he was reported to have said. If the Government had decided on some norm or other for the village-size in terms of households and if the Food and Agriculture Minister had meant to say that a certain number of tiny villages would have to be grouped together in accordance with that norm, that would have been understandable. But he said no such thing and it was, therefore, obvious that the Prime Minister's changed stand that there should be only one small co-operative society for every village was being questioned. It would, again, be interesting to know whether there is a definite Cabinet policy regarding Co-operation. If there is none, it would only be one more proof of the essentially indecisive and neither-here-nor-there approach of some official policies which are rarely spelt out in precise terms.

An Interim Solution?

THE long-awaited constitutional plan for Cyprus, though an ingenious attempt to reconcile the conflicting ambitions of its population and of the interested States, is bound to raise doubts about its acceptability. To have expected the immediate grant of home rule to Cyprus, based on the democratic rule of majority, would have been over-optimistic. As it is, the only welcome feature of the plan is that it rejects *for the time being* both partition of Cyprus and its union with Greece. Any one of these two courses would have created grave complications and possibly raised the conflict between the Turks and Greeks to the international plane. First local reaction has been one of hostility, but it does not close the door against further negotiations.

The main features of the British plan, which Mr. Harold Macmillan described as "an adventure in partnership", are that while the supreme authority in the island in respect of defence, foreign affairs and internal security will remain the responsibility of Britain, the Greek and Turkish Cypriots will each have an elected House of Representatives of their own to manage their communal affairs. Affairs other than communal in the internal administration will be the responsibility of a Council which will consist of four representatives of Greek and two of Turkish Cypriots and also nominees of the Governments of Greece and Turkey. The Council will be presided over by the Governor, empowered to reject its advice, recommendations or decisions. The international status of the island will remain unchanged for seven years, at the end of which Britain will apparently share sovereignty over the island with Greece and Turkey. The plan thus offers neither self-government nor the right

of self-determination to the people of Cyprus. They will, on the other hand, be saddled with the overlordship of two more powers — Greece and Turkey. A condominium will thus be introduced.

The plan, it hardly needs to be expounded, seems to rest on belief in an outmoded philosophy. This would be obvious from the statement of the Governor of Cyprus, Sir Hugh Foot. Justifying the continuance of British domination over the island for seven years more, Sir Hugh observed: "We have a responsibility to the people of the island. It would be a dreadful thing if we turned our back on them now. We should be abandoning them to chaos and bloodshed." A plea in defence of an interim arrangement need not have gone as far as that. The setting up of a separate House of Representatives for each of the two communities in Cyprus, to deal with communal affairs, seems to be but a new variation of the communal electorate system successfully applied in India. The association of Greece and Turkey with the future administrative set-up of the island would only add to and accentuate the difference and division between the two Cypriot communities. If all this cannot separate the communities sufficiently, there is the offer to the Cypriots to take Greek or Turkish nationality simultaneously with the British nationality during the first seven years of the implementation of the plan. At the end of the seven years, the separation of the two communities will have been made rigid.

Mr. Macmillan's plan seems too complicated to be workable without an altogether exceptional amount of goodwill among all concerned. Considered against the background of actual happenings in that unfortunate island, it was probably

June 27, 1958.

THE EASTERN ECONOMIST

doomed even before its promulgation. A curious constitutional stratagem, it has, indeed, not much to commend itself. Already, in spite of the appeal of the Council of the North Atlantic Treaty Organisation to Greece and Turkey to avoid a crisis in Cyprus which is sure to weaken the alliance, both the countries have rejected the British plan. While the Greek rejection is based on the fact that what has been proposed is partition in embryo, Turkey has rejected it because nothing short of partition of Cyprus is acceptable to it. The plan is also not acceptable to Archbishop Makarios and his followers. The plan transfers to the Cypriots less power than what was reasonably expected even for the period of transition. British statesmanship should reckon that no plan which is unacceptable to Archbishop Makarios and his followers will work.

Boom in Bank Deposits

EASILY, the most outstanding feature of developments in Indian banking in 1957 was the spectacular expansion of the deposits of scheduled banks. Since the downtrend was definitely reversed and a dynamic phase was started in 1953, the expansion has been phenomenal in 1957. At the turning point in 1953, the growth in the deposits of scheduled banks was modest in the neighbourhood of Rs. 13 crores. The increases in the next three years were progressive but irregular, ranging between Rs. 90 crores in 1955 and Rs. 77 crores in 1956. Last year the all-time peak was reached at Rs. 245 crores. The aggregate volume of net deposits of scheduled banks rose to Rs. 1,298 crores, marking an increase of 62.5 per cent over 1953 and of approximately 24 per cent over 1956. These are eloquent figures. The entire increase in last year's net deposits reflects the improvement in the position of Indian scheduled banks, except for a share of Rs. 21 crores which is attributed to foreign banks. There is one external factor in this expansion. It is the addition made by the inclusion of two non-scheduled banks in the Second Schedule to the Reserve Bank of India Act. The accretion which they brought to scheduled bank deposits must be regarded as fractional in the total context.

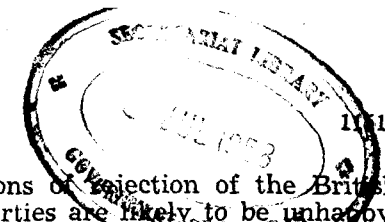
This steep increase in one year calls for explanation which is to be found in the operation of special factors of a temporary character as well as normal factors. The Reserve Bank's annual survey of developments in banking concedes that special factors which characterised the working of the economy last year were predominantly responsible for the abnormal increase of this order. One of them to which marked attention is drawn in the survey is the flow of the counterpart fund created out of the sales of the commodities imported from the United States under PL 480. It inflated the deposits of the State Bank of India substantially. Another factor is the severe import restrictions affecting business activity, which has tended to stimulate the flow of unemployed funds to the banking system. It is clear that import restrictions, tightened even against industrial raw materials in the wake of the aggravating crisis of foreign exchange, gave a sudden set-back to the tempo of expansion in industrial production. Thus the index of industrial production (1951=100) rose by a mere 3.2 per cent in 1957 in contrast with 8.6 per cent in 1956. More important than both these factors is the effect of deficit financing on bank deposits. This cannot be treated as an exclusive feature of last year. Its full magnitude, however, was neutralised to the extent that de-

The implications of rejection of the British plan by all the parties are likely to be unhappy. The British Government would do well to seek modification of this plan by entering into negotiations with Archbishop Makarios, with a view to formulating an acceptable scheme. It should be surely possible to evolve a constitution which will allay the fears of the Turkish minority of possible domination by a Greek communal majority. The plea that a military base in Cyprus is essential for the protection of the free world is no longer absolutely valid. With the production of the Inter-Continental Ballistic Missile, the strategic importance of the island has been considerably reduced. In any case, how good a base can Cyprus be with a hostile population that finds terrorism the only effective course for pressing its claim to self-government.

posits were depleted by withdrawals to finance the adverse balance of trade. Still another factor which diverted funds to the banks was the adverse climate for investment created by the Government's taxation policy.

In a developing economy, the growth of national income cannot but be accompanied by the growth of the banking habit. The normal factors which contributed to the expansion of bank deposits last year testify to this healthy and stable trend. The growth of the banking habit must be considered in the light of branch expansion and regional expansion of deposits. The total number of the offices of scheduled banks rose by 310 in 1957 out of which 84 represented new branches opened by the State Bank of India, while the balance of 226 was accounted for by other Indian scheduled banks. No statistical measure exists to assess their contribution to the growth of banking business including the changes in bank deposits. But there can be no doubt about their net positive role. Region-wise, the survey discloses healthy trends. The data which show the year-end position in 1956 and 1957 relate to the States and Union territories after re-organisation. This shift makes comparison with the past well-nigh impossible. Some period must elapse before the long-term trends can be ascertained on a comparable basis. With the mentionable exception of Rajasthan where deposits suffered a small decline of half a crore of rupees in 1957, all the States exhibited expansion in varying degrees. The concentration of deposits in Bombay (Rs. 429 crores), West Bengal (Rs. 247 crores) and Delhi (Rs. 210 crores) in 1957 is explained by the concentration of business and industry. Punjab and Madras, too, had a good showing on this score. It would be desirable to direct branch expansion in future in backward regions; but such conscious redirection is possible only within a narrow margin. In the final analysis, the industrial and tertiary sectors are bound to exert a far greater pull on deposits than agriculture.

A most disconcerting feature of deposit expansion is the high cost at which time deposits are attracted. This is the vital class of deposits which was responsible last year for over four-fifths of the expansion in net deposits. The scramble for deposits is clearly paradoxical in a phase in which disbursements generated by Plan projects are bound to seek an outlet in the banking system. The paradox becomes all the more glaring against the background of a distinct deterioration in the ratio of advances to deposits.



Two courses are suggested to put an end to the rate war. The first of these which is advocated by an important spokesman of banking interests seeks the imposition of statutory ceilings on rates of interest paid by banks on deposits. There is no warrant whatever for it. This proposal not only ignores the real difficulties in the enforcement of statutory rates but refutes its own logic by denying the need of a similar regulation of rates on advances. The second remedy is based on self-

discipline. The consensus of opinion among bankers is for making a renewed bid to take concerted action on a voluntary basis. The efforts of the Handoo Committee in this respect did not bear fruit obviously because they were made against the background of monetary stringency. The situation is now totally different, but propitious. It is good news that India and foreign scheduled banks are engaged in thrashing out proposals for voluntary regulation of interest rates.

Little Drops of Water

THOUGH not so well-known and less publicised, the technical assistance programme of the United Nations is undoubtedly making headway. This the latest report of the Technical Assistance Board amply bears out. It was in 1950 that the United Nations took a significant step in launching what has come to be known as the EPTA — Expanded Programme of Technical Assistance. It was a major operational programme conceived on a long-term basis to tackle a fundamental problem facing the underdeveloped countries. That problem was the lack of technical know-how. The Programme showed in a dramatic way the answer: that through a better utilisation of human and material resources it is possible to obtain greater output from industry and agriculture, improve transportation and communication, have more efficient public services and maintain better health, education and welfare facilities.

In a world that is shrinking day by day, the dichotomy of nations as rich and poor (with the latter constituting two-thirds of the world) is obviously untenable and potentially dangerous as it would threaten peace and security everywhere. It was therefore realised that the pressing problems of the underdeveloped countries would be ignored only at peril and hence they have to be elevated to the international level so that through concerted action the requisite resources may be provided for their betterment. The Expanded Programme of Technical Assistance thus provided a useful opportunity to co-ordinate the activities of the United Nations and seven specialised agencies.

The report points out that 1957 was marked by "new levels of achievement" and in terms of money, the largest annual programme of technical assistance was "delivered" since the Expanded Programme started its operation in 1950. The decision to establish the Special Fund for basic technical assistance projects and the starting of some new projects, as for example, in the three newly independent African countries — Morocco, Tunisia and Ghana — were the outstanding features of the year. Besides, the report lists the various significant results obtained in several countries including India due to the efforts of the recipient countries as well as the contributions made from the Expanded Programme, mainly in the form of expert knowledge. Though the Programme was originally conceived as a potent method of imparting to the underdeveloped countries knowledge and experience gained in the advanced countries, subsequent developments have revealed the potentialities for mutual aid among the underdeveloped countries themselves as illustrated in the Colombo Plan.

While the achievements have thus been quite creditable, the report does not conceal the fact that in many directions the programme of technical assistance has been beset with difficulties like

those of finance, personnel, evaluation and administration. Finance has always been a handicap which might have limited its capacity to assist valid projects that might otherwise have been undertaken and it has emphasised the need for some assurance of modest annual growth by the Expanded Programme itself. In all of the technical assistance work, there has been a growing emphasis on training which is the most encouraging development in recent years. But the report points out that though Governments have been making increasing efforts to assign "national counterparts" to work with EPTA experts, considerable difficulties are experienced in finding adequately qualified national personnel. Also during 1957, though the number of experts had increased over that for 1956, fellowships declined slightly and a continuation of such a trend would obviously be a matter of concern. It also notes that many countries had improved their procedure for nomination of fellowship candidates, but there are still countries where standards are not up to the mark. This is a familiar story that will not come as a surprise to many in this country. The problem of evaluation has always been a difficult one because of formulating the proper criteria. The report says that the programme now consists of nearly 1,200 projects in 132 countries and territories and it would be impossible to analyse them in such a way as to draw any universal conclusions. Hence what has been attempted is to evaluate not so much the results of individual projects as to find out how far conditions have been conducive to good results as a result of the programme.

To the cynic it might appear that compared to the aspirations of the underdeveloped countries, the Technical Assistance Programme is a meagre undertaking involving an expenditure of a paltry \$30 million. To some extent, it may be also true that when the have-not nations are clamouring for rapid industrialisation, the value and form of assistance given under this programme is even disappointing. But on that score alone its importance cannot be underrated. Like little drops of water that go to swell the stream, the programme represents only a part of the wider obligations that the haves have towards the have-nots. Sharing of knowledge is only one step and while it would contribute to significant improvements in economic and social well-being, it has certainly to be accompanied by more substantial devices of aid. The most important, of course, is the flow of capital which is the main impediment in the progress of the underdeveloped countries. Technical assistance in the form of experts provides symbolically perhaps what the rich owe to the poor in an international community and it opens the way to see in the proper perspective the complex problem of stimulating economic growth in the underdeveloped countries. It is obvious that the rising expectations that form an explosive force in these countries cannot be delayed for long.

THE WEEK'S NOTES

THE END OF A STRIKE

TO AN outside observer, the ten-day old port and dock workers' strike, which has now been called off to the relief of everyone, would appear like a veritable jigsaw puzzle. However, it would not be on the whole wrong to interpret the entire episode as to mean that the All-India Port and Dock Workers' Federation has come out the better. If this inference were to be correct, it only shows the lack of consistency in Government's handling of the dispute. In the beginning it looked as though Government were viewing the threat of the dock workers as a trial of strength, and hence while they would be reasonable in meeting legitimate demands, they would at the same time be firm and not budge by threats of coercion displayed as a consequence of reckless trade union leadership. The finale, however, gives warrant to draw a different conclusion. Though it may be hailed as compromise on the part of both parties, the compromise seems to be more weighted in favour of the Federation.

It should be straightway conceded that among the many issues, the most important related to the question of gratuity and provident fund. Government originally took the stand that since this had wider implications involving 5½ million employees of the Central and State Governments, it had to be given careful consideration. Now it would appear that there has been a shift in Government's attitude. According to the General Secretary of the Dock Workers' Federation, Government has now agreed to consider the demand for gratuity and provident fund, "taking into account the special nature of port transport industry which calls for the introduction of such retirement benefit". Does this mean that Government are now prepared to consider dock workers as a special category, apart from Government servants? It is also a bit intriguing to find that Government are now of the view that decisions on the Choudhuri Committee's recommendations would not be postponed "merely for the reason that some of them are covered by the inquiry now being conducted by the Second Pay Commission". One would have thought that this was precisely one of the major factors that Government had to contend with in dealing with the dockers' dispute. If this were not so, what prevented Government from giving an assurance to this effect which might have possibly gone a long way in averting the strike?

As for the second major demand of the dockers, namely, that relating to the settlement of local and sectional issues, they have practically got what they wanted. Originally they wanted that negotiations in this respect should be completed within four days. It is a moot point whether the strikers themselves were serious about this time-limit which in some other context would have appeared like a comedy. Government have also shown a commendable degree of generosity in meeting many other requests, as for example, that there would be no victimisation, that adjustment will be made against leave for the period of the strike and joining time and, what is more, in fixing the dates from which different decisions would be given effect to, the question of giving retrospective effect will be taken into account. In return for all these, the Federation has graciously responded by giving an assurance that they would do their utmost to increase the output of work and as a substantial measure of their desire, they have expressed their readiness to the introduction of the piece-rate scheme in Calcutta and other ports

where it was not already in operation. If negotiations can be productive of so much goodwill one wonders why there was the strike at all. Or is it because of the strike?

COMMUNIST BLACK-LEGGING

THE WEEK-OLD strike of the employees of the Bombay Corporation came to an end last Sunday as the result of an agreement between the Samyukta Maharashtra Samiti, the ruling party in the Corporation, and the Municipal Mazdoor Union. The agreement, which is to be implemented with retrospective effect from June 1, grants a graded increase of Rs. 3 to Rs. 5 to workers drawing basic wage up to Rs. 150. This increase will be integrated into the employees' wage structure; the Wage Structure Committee is expected to finalise this in its report, which will be ready by October 1958. In the event of a difference of opinion on the report, the question will be referred to an arbitrator mutually agreed upon. If no agreed arbitration is possible, the question will be referred to an adjudicator whose verdict will be binding. The Corporation and the Union will also negotiate a fresh basis for payment of dearness allowance in view of the wage increase and possible subsequent rise in the cost of living.

An aspect of the strike which has not been noticed in the Press is the use of the "revolutionary weapon" of strike by the non-Communists and the resulting predicament which faced the Communists. While the non-Communist trade union leaders stood by and fought for the workers' demands, the Communists sided with the authorities and against the proletariat. The two main opponents of the workers' demands were Mr. S. S. Mirajkar, the Communist Mayor of Bombay, who is also incidentally the President of the All-India Trade Union Congress, and Mr. S. A. Dange, boss of the Communist trade union "front" and President of the Samyukta Maharashtra Samiti. Mr. Dange told the workers during the strike, that he would ask the State Government for "adequate protection of the loyal workers and recruit new hands to operate the civic services." He even went so far as to give an 'ultimatum' to the strikers to accept the terms offered to them within two days after which the Samiti would discontinue the 'open door' policy. Thus, the Communists tried to break the strike through the recruitment of new hands, a practice commonly known as 'black-legging' in trade union circles, and through intimidation which have invariably been condemned by them throughout the free world. The Communist attitude becomes even more reprehensible when it is remembered that the Corporation has adequate financial resources to meet the demand of the workers. These demands could not surely be described as excessive: the Central Government has already given similar concessions to its employees pending the report of the Second Pay Commission.

AN INNOCENT ABROAD

EVIDENTLY, Mr. Jaya Prakash Narayan is more candid and frank abroad than at home. He has unambiguously answered the most pertinent question which he has always, and perhaps deliberately, avoided to answer in India. Replying a question by a correspondent of the 'Manchester Guardian', the former Praja-Socialist leader said that he would be "ready to answer a call" from the nation "if there was an emergency," that is, if India was faced with the choice between the extreme Left and extreme Right. He would do so "not as a leader of a party but as a man whom the Indian

people had asked for counsel and guidance." He had urged, he added, Mr Nehru himself to play that role.

These statements are on their face reminiscent of General de Gaulle's conditions for leading France out of its recent crisis. Yet in fairness to Mr Narayan, it must be conceded that they suggest no illegitimate ambitions on his part. Nor can one question Mr. Narayan's ability to lead the country. What is difficult to appreciate, however, is the discrepancy between his statement to the 'Manchester Guardian' correspondent and his known abhorrence for party politics, which is the lynchpin of modern democracy. Mr. Narayan has obviously not revised his views on party politics. His readiness to respond to the "nation's call" in an emergency thus raises some doubts. History is witness that the concept of "non-party politics" has always tended to degenerate into either one-party or one-man dictatorship, albeit in the name of the entire nation. Perhaps Mr. Narayan has in mind the unique position which Mahatma Gandhi enjoyed for over a quarter of a century in Indian politics. But it is relevant to ask whether Mahatma Gandhi's role and status were not historically conditioned. The Mahatma led the Indian people as a whole in their struggle against foreign domination. After independence, his status was challenged; and he fell a victim to an assassin's bullet. Even Mr. Nehru, who for some time did enjoy the status of a non-party national leader, no longer enjoys that status. The recent by-elections in Devicolum and Gurgaon are clear indications of the new polarizations taking place in the country's politics. In such a situation, Mr. Narayan's concept of "non-party politics" appears to be rather unrealistic.

THE LAST, LOSING BOUT?

WORLD CHAMPION Gama is lying ill, penniless and perilously close to death. The legendary wrestler is a victim of cardiac asthma, high blood pressure and heart trouble resulting in haemophysis. Once reputedly the strongest grappler of the world, Gama, now in his early eighties, is reported to be a mere skeleton of his former magnificent physique. It is even more moving to consider that he is one of the galaxy of people like Ramanujam, Gurudev Tagore, Sir Mohammed Iqbal, Sir C. V. Raman and Dhayan Chand, who brought glory to this sub-continent and put it on the map of the world long before it was recognised and respected as a political entity. In fact, one thinks back nostalgically of the time when many of the now well-known political leaders of both India and Pakistan had been honoured because they belonged to the 'Land of Gama'. Today, Gama is fighting his last, losing bout with death — a man forgotten by his own people and afflicted with the curse of poverty. Reportedly he has been selling and pawning away the trophies and 'gurus' he won throughout the world in the first two decades of the century to buy his medicine. It is as much the duty of the Government and people of Pakistan as of India to retrieve these trophies for the greatest grappler of his times, and repay in part the debt they owe to him.

Born in a renowned family of Kashmiri wrestlers, Gama learnt the art from his father who enjoyed the patronage of the Chief of Daria State in Central India. Before he was 16, Gama took service with the late Maharaja of Patiala. By the time Gama was 20, he had floored the country's top wrestlers. The 'Rustam-e-Hind' made international sports headlines in the first decade of the century when he won the world championship belt during an international exhibition in Paris. He then went on a world tour and returned home as the 'Rustam-e-Zaman', the world champion. The wrestling giant is best remembered for the bout he fought some thirty years ago in Patiala. He floored the Polish grappler, Zybylsko, within record time, the bout was over by the time the spectators had taken

their seats! The peoples of this sub-continent then felt proud of him and wrote eulogies about him. Now the man who gave us a sense of self-respect and partly destroyed the illusion of the white-man's physical superiority is on his deathbed, and not a word of comfort and solace from us all. Gama does not need eulogies; he has had enough of them. Let us enable him to fight and win his last bout.

SANE ADVICE

IT IS rather paradoxical that, although the second Plan declares unequivocally that "to offset inflationary pressures associated with a rapid development, it is imperative that the targets of agricultural production proposed in the Plan should be further improved upon" and that "at each stage, adequate supplies of food and cloth and essential consumer goods will have to be provided at reasonable prices", the authorities should forget the crucial place of agricultural production at the time of implementing their own agrarian policies. Based as many of these are on ideological grounds, they tend more to hinder than to help increase agricultural production. That even after all the propaganda of the past ten years regarding 'Grow More Food', the country should still be suffering from a chronic insufficiency of food is a sad commentary on our agrarian policies. The attainment of self-sufficiency in food production is no open sesame affair, but calls for a rational agricultural policy.

Speaking recently under the auspices of the Gokhale Institute of Public Affairs, Bangalore, Mr. S. Y. Krishnaswamy, one of the most competent to speak on agricultural economics, subjected the Government's agricultural policy to a dispassionate scrutiny, and suggested a kind of permissive legislation which did not involve any element of compulsion in order to bring about reform normally and gradually. Such a policy could only be evolved, added he, by thinking dispassionately and by doing away with all ideological nostrums pertaining to land problem. Among the many aspects of this comprehensive subject, Mr. Krishnaswamy touched on the present and the proposed land reforms and their relation to agricultural production generally and to food production in particular. In a marginal economy especially, food production should have a special priority, because, in such an economy, food prices, which take a substantial part of the domestic budget, determines labour cost and industrial price level and, for that matter the entire living standard of the population as a whole. So, any reform in this field should aim at providing incentives to the agriculturist to grow more food. This can be done, according to the speaker, 'by guaranteeing a good price and by sustaining either the psychological satisfaction of trouble-free ownership or, in the alternative, generating a powerful social impulse that makes up for the loss of ownership'. If, instead of this approach, our agricultural production were retarded by fanciful legislations, he warned, the country would have to pay a dear price, that is to acquiesce in a permanent drain of the limited and precious foreign exchange resources of the country required so badly for meeting relatively more urgent and legitimate needs.

SAROJINI NAIDU MEMORIAL FUND

In response to numerous enquiries from our readers, we are publishing below the address of the Sarojini Naidu Memorial Fund to which donations may be sent:

The President,
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6, Bhagwandas Road, New Delhi.

A Window on the World

FREE TRADE PERSPECTIVES

By

ODYSSEUS

SOME RESPONSIBLE economic observers in India have taken a somewhat pessimistic view of the repercussions on India's economy of the creation of a European Common Market and Free Trade Area. I have heard it argued that although the expansion of production in Europe stimulated by the F.T.A. should lead to a proportionate rise of European imports of raw materials, this is not likely to affect India's exports of hides and skins, oils, raw cotton, lac, tobacco, mica, oil seeds, and it is suggested that only manganese ore would benefit to any extent (by the development of Europe's capital goods industries). In consumers' goods, the possibility of rises in European buying of tea, oil seeds, and tobacco, is foreseen but not thought likely to be really appreciable. Expansion of European production should lead to a fall in the price of capital goods, but on this score the pessimists underline that this depends on Europe's success in restricting inflation, and while Germany is credited with the ability to hold down prices by herself, France's participation in the E.C.M. is seen as injecting a strong inflationary factor. Further, it is pointed out that Germany is not likely to continue to be a potential source of assistance to Asia, because her own expansion is slowing down, because her expenditure on defence is rising, and because she has undertaken to invest \$200 millions in France's overseas territories. Such European capital as is available is expected to be diverted to the under-developed areas of Europe rather than of Asia, while the expansive possibilities of the F.T.A. are expected to attract spare American capital thither, away from Asia.

Undoubtedly there is something in each of these points, but is the conclusion not far too pessimistic? If the E.C.M. and F.T.A. lead, as they should, to a persisting rise in European prosperity, this must have beneficial repercussions throughout the internationally trading free world. It may be that the capacity of Europe to expand their consumption of tea, oilseeds, and tobacco is comparatively limited, but as their standard of living rises they will develop all sorts of new demands, many of which it is impossible to foresee today, any more than an eighteenth century Indian could have foreseen the future scale of Europe's demand for India's as yet non-existent jute goods industry. Nor does it seem to me that the future of inflation in Europe depends directly on the creation of an F.T.A. Whether or no, a common market materialises, if the rest of Europe were to persist in inflation, Germany could not for ever remain an island of non-rising prices.

I am, in fact, disposed to argue that the risks of uncontrollable inflation are greater in a politically and economically divided Europe, than in a Europe subject to the rules of an E.C.M. and the consultations of an F.T.A. Some Europeans still fear these schemes on the ground that they will diminish national sovereignty and take away a country's power of independent action in economic policy. I myself do not, as I look out from my window on the world, see much evidence that any country has today much power of independent action in economic policy. It was not from choice that the U.K. put up her bank rate to 7 per cent last September. It is not from choice that India is selling her exports at lower prices today than she was a couple of years ago. The one hope of mitigating these economic mishaps is to set up machinery of consultation to secure agreement on common policies to be enforced through such

international institutions as the six E.C.M. countries have set up, and which it is certain that the members of the F.T.A. will either have to join or to imitate.

EUROPE'S STAKE IN ASIA

The pessimistic Indian view of the E.C.M. and F.T.A. cited above is, I think, based too exclusively on purely economic considerations. It ignores the profound political stake that free Europe has in the prosperity of Free Asia. And whereas today when the Government of India runs into a balance of payments or other financial jam, Bijju Nehru has to dash off to London, Bonn, or Washington, to display his powers of charm and persuasion, his task will be facilitated and speeded up when he is able to deal with a Commission representative of the whole of Europe. Apart from the gain in time in having to conduct only one set of negotiations, he will be dealing with a body that will be politically more powerful and economically richer than any one European nation. If the European Commission advises its member governments that, in the interests of the free world, more of Europe's resources must be diverted to India, the chances of fruitful action, and the scale on which it can be carried out, will be better than anything which exists today. As to the suggestion that Germany's lending powers will be exhausted by the investment over the next twelve years of Rs. 90 crores in France's overseas territories (i.e. Rs. 7.5 crores a year), when we recall that she invested Rs. 169 crores overseas in 1957 alone, the prospects do not look so dim.

At this point, some determined pessimist will doubtless point out that these are all pipe-dreams because nothing has been heard of the E.C.M. and F.T.A. negotiations for weeks and that French intransigence has doomed them to failure.

For answer, I refer you to the admirable P.E.P. (16, Queen Anne's Gate, London S.W. 1) which has followed up its pamphlet "The Price of Stability" (discussed here last week) by another, "Problems of Freer Trade in Europe" (Price 2 sh. 6d.), which is an interim report on the state of the negotiations. Three facts, says P.E.P., have helped to create a more hopeful outlook. First, the French Government, which had circulated to its five E.C.M. partners proposals for agreed alternatives to the U.K.'s F.T.A. scheme, has been careful to avoid committing itself irreversibly to its proposals. No documents have been circulated outside the Six. There is nothing to be withdrawn, no colours to be hauled down. Secondly, the rest of the Six have made it clear that the proposals are unacceptable as they stand. The Germans and Dutch have been critical, the Italians active in search of compromises. Thirdly, the attitude of the U.K. has become progressively more flexible. The U.K. is no longer negotiating from its White Paper of February, 1957. Her position is now far closer to that of the Six.

TOWARDS AGREEMENT IN EUROPE

The technical problems of establishing an F.T.A. have been thoroughly explored by O.E.E.C. and alternative solutions have been devised for almost every problem, if certain basic questions can be agreed upon by the E.C.M. and F.T.A. countries.

The basic political question is whether the plans of the Six and the Seventeen are rivals, so that the

strengthening of one implies weakening the other, or whether they are plans to separate but compatible ends. In its extreme form, and stripped of necessary qualifications on both sides, the views of the contesting negotiators are that (a) the basic aim of the E.C.M. is the political unity of Europe and the economic proposals are regarded as concessions to that end, whereas (b) the F.T.A.'s basic aim is the promotion of material prosperity through free trade, and any political institutions or controls necessary are concessions to the economic end. At first the contradiction in these aims seemed absolute and generated heat and suspicion. But as the negotiations proceeded, each side has come to appreciate that it need not torpedo the aim of the other in order to attain its own. The P.E.P. pamphlet is illuminating on this point, and I regret that I have not space to quote it in detail. There has been increasing realisation that there need be no rivalry between the Six and the Seventeen so long as the E.C.M. and F.T.A. are not regarded as alternatives, and so long as the right of the Six to work towards further unity among themselves is fully accepted and recognised as different in kind from the aims of the F.T.A.

On the economic side, one point that has emerged is that if the political aims of the E.C.M. are to be achieved, and if the E.C.M. is to work at all, then the French will have to carry out various internal economic reforms. And it is reasonable to assume that unless the whole E.C.M. fabric goes down the drain, the French will find that the result of economic reform is not bankruptcy but rising prosperity. So that their protectionist fears of the F.T.A. will be allayed. Events are moving so rapidly in France that the weekly commentator risks being outpaced by them. However, I

will take the chance of reporting that I was told today by a highly placed F.T.A. negotiator that one of his difficulties had hitherto been that whenever he made a proposal that the French didn't like, they warned him that its acceptance would bring down the French Government. "Well, we're out of that wood for at least six months," he said, "and as our impression is that de Gaulle wants to secure results on as many fronts as possible before his time is up, we hope that we've left the negotiatory doldrums behind and that we are about to catch a fair wind that will get us somewhere."

On the British side, there is now a realistic appreciation that an F.T.A. confined to action on trade barriers is out of the question and that some co-ordination of monetary, fiscal, and social policies is inevitable. The differences that remain are not of kind but of degree. On this point P.E.P. observes that given the uncertain political aims and mixed economic philosophies of the Seventeen, provisions for co-ordination in the F.T.A. will go well beyond the U.K. White Paper but will fall short of what the Six have agreed upon.

Any agreement between the Seventeen will be founded on compromises. It will offend the logic of the French and of all those with tidy minds who like all I's dotted and T's crossed. It will probably not in fact be a Free Trade Area. But the feeling in London is that out of the hard bargaining that lies ahead, there will emerge a real advance towards freer trade and towards the co-ordination of policies. The E.C.M. and the F.T.A. are likely to be the most spectacular demonstration of R. L. Stevenson's proposition "To travel hopefully is a better thing than to arrive, and true success is to labour".

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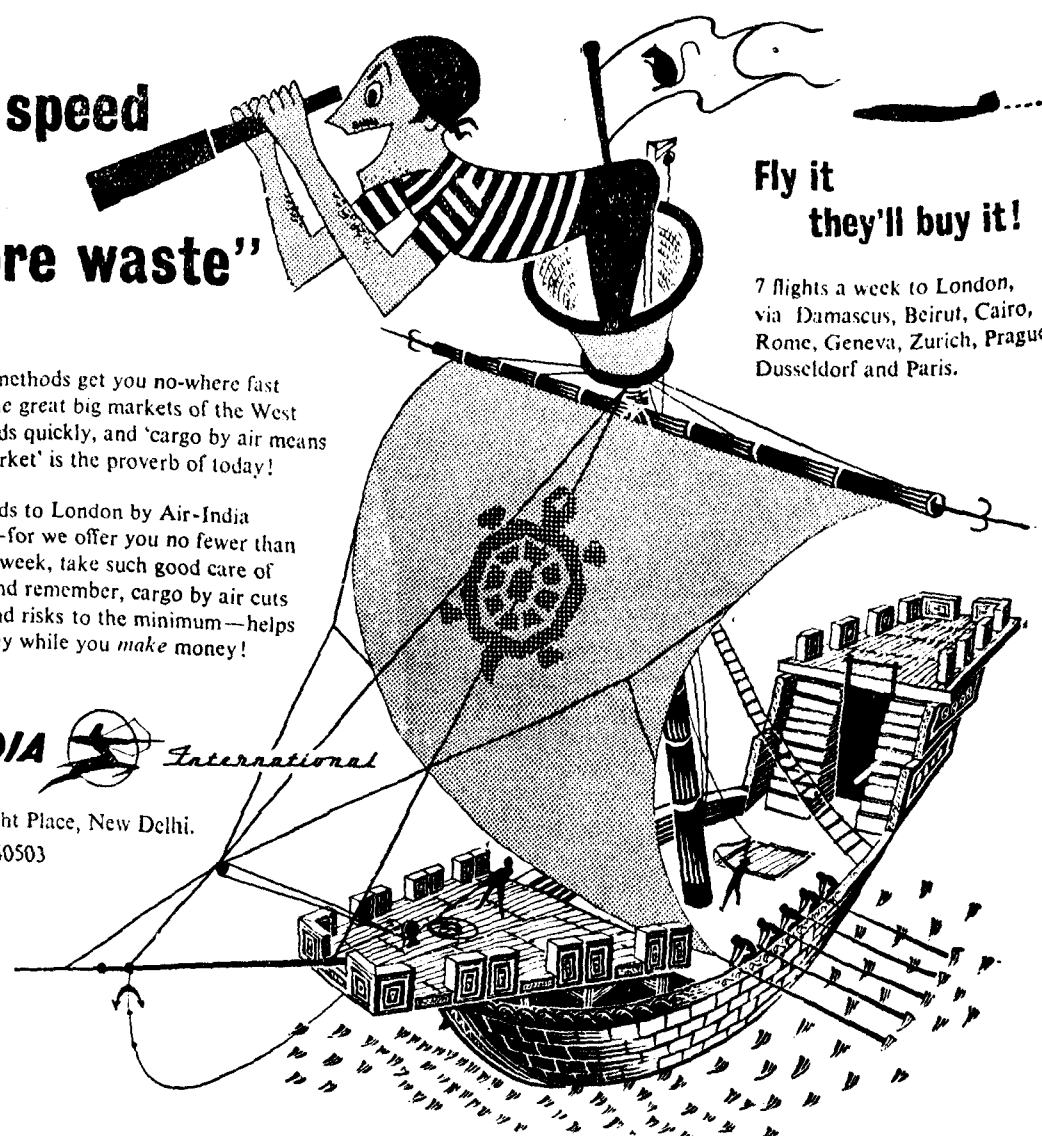
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FOREIGN PRIVATE CAPITAL FOR ITALY

(From Our Special West European Correspondent)

PARIS, June 21.

IN her current plan India is receiving foreign aid (public and private capital together) at a rate of \$300 million a year. Italy has this year been receiving foreign private capital (apart from all official aid) at a rate of \$140 million per annum. This impressive inflow of private investment funds has not only exceeded previous records but has exceeded the hopeful estimates of the Italian national plan. The ten-year "Vannoni Plan" had banked on foreign saving supplementing domestic saving to the extent of about \$130 million a year, but, as we have seen, in 1958 private capital alone will exceed that figure. It is comforting to see someone's plan being over-fulfilled in the difficult foreign-aid chapter; it might also be instructive to see how these results have been achieved. We will find, naturally, that a number of different factors are involved; there is no hope of coming up with some simple recipe that would produce the same results elsewhere, in India for instance.

The inflow of private capital into Italy has increased rapidly in recent years, as the table shows:

	Foreign private investments (in \$ millions)
1951	6
1952	15
1953	17
1954	53
1955	70
1956	99
1957	72
1958	141

(annual rate)

Of the various factors we can correlate with this surprising increase in the hope of finding a causal connection, the most significant are the liberalisation of regulations governing foreign capital movements, the rising concurrent rise in Italian domestic saving, the rising trend of stock market values within Italy, and of course the general expansion of Italian national income. A last but equally important factor would be the steadiness of Italian prices; the lira has lost only 3 per cent of its value per year over the last decade, which makes it almost as sound as the Indian rupee (minus 2.3 per cent per year) and much sounder than the Canadian, Dutch, British, French or Australian currencies. (See the latest monthly letter of the first National City Bank of New York, or the "London Times" of 3-6-1958, for a table of currency depreciations in 24 different countries between 1947 and 1957).

The most directly concerned factor has no doubt been the first mentioned, the liberalisation of investment regulations. Between 1948 and the beginning of 1956 these regulations were rather unfavourable. There was a limit on the repatriation of interest and dividends on foreign capital invested in Italy: the ceiling was Bank Rate plus 1 per cent, which would mean today a maximum of 6 per cent. The capital itself could not be repatriated less than two years after investment and even then it could only be withdrawn at the rate of 50 per cent every two years. No more could be repatriated than had been invested, i.e., no capital gains were allowed to be remitted. Even these very limited facilities applied only to investments made after 1948, and to investments made in actual currencies, i.e., not

investments in the form of equipment. All other invested funds were submitted to the "capital account" system common in countries whose currencies are not convertible: a foreigner could sell his capital account only to a fellow-national who received it in the form of an ordinary (non-transferable) account.

This rigid system was amended in February 1956. All foreign investments in "productive" enterprises (the judgment of what was "productive" rested with the Italian Treasury) were allowed to be freely repatriated without limit and there was no restriction on the remittance of interest and dividends. Investments could take the form of imports of equipment. For other, "non-productive", investments the ceiling on remitted profits was raised to 3 per cent, but the time-limit and the ban on repatriation of capital gains remained. This new double system was still far from ideal for the foreign investor, especially if he chose to buy shares, land or buildings — for the last two were classed as non-productive unless they were for factory sites. The administration of the new regulations, moreover, was at first cautious, for the Italian authorities were anxious to limit the new privileges to lasting economic investments and not to favour the inflow of floating capital that could leave the country at any moment. But the rules came to be more liberally interpreted as confidence grew, and the greater freedom of capital movements encouraged foreign investors to send funds to Italy.

Just lately the regulations for non-productive investments were further relaxed (those for productive funds being already totally free, as we have said). This was done by virtually abolishing the distinction between "ordinary" and "capital" accounts and giving both an opening on to the free exchange market in bank notes. The facilities for remittance of all sorts of profits and for the repatriation of capital were thus much increased, and foreign investors responded by sending a fresh wave of funds to Italy.

The treatment of foreign capital within Italy is absolutely the same as for domestic capital. Foreign firms can be run entirely on foreign capital or controlled by a foreign majority holding. Branches and subsidiaries have to meet no special requirements. Foreign participation in Italian companies is allowed even to the extent of buying up a majority interest. No pressure is exerted to direct foreign capital to one field rather than another and there is no discrimination, official or disguised. In so far as it is hoped that a share of foreign capital will flow to the under-developed South, this is left to the foreigner deciding to benefit, as Italian capital does, from the special advantages allowed to companies operating in that region. The only restrictions concern airways and shipping, where the majority holding must be Italian, and insurance where special authorisation is required before foreign companies can operate. Purchase by foreigners of shares is freely allowed in the stock markets, and indeed a great part of foreign long-term capital has chosen this avenue — so much so that foreign support of share prices has produced a revival of the open capital market, which had been languishing in Italy as elsewhere, obliging industry to rely mainly on auto-financing.

Of the 22,030 million lire (\$35.2 million) of foreign private funds sent to Italy in the first three months of this year, 11,000 million went to portfolio investments, 6,700 million took the form of supply credits and 4,100 million took the form of direct foreign participation in industrial enterprise. Foreign private capital is currently concentrating on the chemicals and pharmaceuticals industry, which is rapidly expanding in Italy,



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WORLDGRAM

AGRICULTURE

Schemes for Mechanical Cultivation: A total area of 392,500 acres will be reclaimed by mechanical means in 1958-59, resulting in additional food production of 61,233 tons. Schemes for mechanical cultivation are included in the Grow More Food campaign, for which Central aid is available in the form of loans and grants. Statewise targets for 1958-59 for the area to be reclaimed and the resultant additional production respectively are as follows (in acres and tons): Madhya Pradesh 108,500, 13,331; Bombay 67,400, 3,198; Andhra Pradesh 60,955, 12,191; Assam 2,800, 1,370; Bihar 5,000, 1,212; Madras 52,500, 8,775; Mysore 34,345, 3,972; Orissa 450, 171; Punjab 36,000, 12,000; Rajasthan 6,000, 600; Uttar Pradesh 8,000, 1,600; West Bengal 7,500, 2,500; Pondicherry 3,050, 313. The total approved expenditure on the schemes for the current year is Rs. 118.55 lakhs. During the last year, the area to be reclaimed was 298,500 acres and additional food production 55,223 tons. In 1956-57, an area of 240,639 acres was reclaimed, yielding 59,098 tons of additional food production. The allocation for 1957-58 was Rs. 136.89 lakhs — Rs. 107.20 lakhs as loan and Rs. 29.69 as grant. A sum of Rs. 43.23 lakhs was allocated for land reclamation schemes in 1956-57 — Rs. 40.69 as loan and Rs. 2.54 lakhs as grant for this purpose.

Fruit Preservation Industry: To encourage the development of fruit preservation industry and to stimulate exports of fruit products, the Government of India have sanctioned a scheme for a subsidy on tinplate used in the manufacture of cans. The scheme came into operation from June 19, 1958. It provides for a subsidy of Rs. 500 per ton of tinplate, indigenous or imported, used in the manufacture of open top sanitary cans. Messrs. Metal Box Co., (India) Ltd., the only suppliers of such cans, have been authorised to make supplies to established canners at subsidised rates. The scheme will be operated by the Directorate of Marketing and Inspection of the Union Ministry of Food and Agriculture, which administers the Fruit Products Order, 1955 and will benefit all licence holders. It is expected that this measure will result in a corresponding reduction in the prices of tinned fruits and will thereby help the industry in increasing sales, particularly in foreign markets.

INDUSTRY

Austrian LD Steel Making Process Attracting Worldwide Interest: A delegation of British specialists of the metallurgical sector has arrived in Austria to conduct negotiations on the granting of a licence for the industrial use in Britain of the Austrian LD steel making process. The Austrian partners in these negotiations are the Austrian Alpine Montan Steel Corporation and the United Austrian Iron and Steel Works (VOEST). Particular consideration in respect of British requirements will be given to a licensing of the recent further development of the LD-process, permitting the utilization of high-phosphorous-content pig iron for the production of top-grade steel. Other negotiations on the granting of foreign licences on the LD process are under way with Portugal, Rumania, Hungary and Rhodesia. At present a total of 13 steel making plants all over the world is operating on the LD process. Three plants include the 2 Austrian parent works mentioned above, and works in the German Federal Republic, the Netherlands, the United States, Canada, Brazil and Japan. An additional nine LD steel plants are under construction in France, Spain, the United States, Canada, Brazil, Japan and the Philippine Islands.

World Steel Production: Steel production set a world record in 1957, according to a report issued by the U.S. Department of Commerce. A record total of 322 million net tons of steel was produced in 1957, 11 million tons over the 1956 level, the report said. The U.S. accounted for 35 per cent of world output while the European Coal and Steel Community (Germany, France, Saar, Belgium, The Netherlands, Luxembourg and Italy) produced 20.5 per cent. The USSR is reported to have produced 17.4 per cent.

State Schemes for Handicrafts Development: Over a dozen schemes for the development of handicrafts in two States, Uttar Pradesh and Punjab are to be continued during the current financial year. These schemes, were approved earlier by the Government of India on the recommendations of the All-India Handicrafts Board. A sum of over Rs. 3.28 lakhs has been sanctioned by the Union Ministry of Commerce and Industry for this purpose to the States. In Uttar Pradesh the Central Design Centre is to be expanded at a cost of Rs. 17,000. For maintaining the centre a sum of Rs. 1.5 lakhs has been provided. The crafts museum in the State will also be continued. The other schemes are for the development of tarakashi, ivory, bidri, chikan embroidery, velopment of tarakashi, ivory, bidri, chikan embroidery, In horn, cane and bamboo and wooden-toy industries. In Punjab the training centre at Palampur for carpet-weaving, the improvement centre at Kulu for Pashmina shawl and the training-cum-production centre for phul-kari at Jullundur are to be continued during 1958-59. The calendering plant for cotton goods at Panipat will also be maintained. A loan of over Rs. 28,000 has been sanctioned to the All-India Handicrafts Board for being disbursed to the Indian Co-operative Union Limited, New Delhi, for the production and marketing of handicrafts goods against firm orders and supply of the same to the indentors.

Industrial Estates for Small Scale Industries: More financial assistance has been sanctioned by the Government of India to three States, Uttar Pradesh, Assam and Bombay, for the establishment of industrial estates which are under various stages of construction. Uttar Pradesh gets three loans amounting to Rs. 13.5 lakhs for the three estates at Luni, Varanasi and Kanpur. For the establishment of the Kanpur estate, a sum of Rs. 11 lakhs had already been sanctioned during the first Plan period and in 1957-58. For the other two estates at Varanasi and Luni, a sum of Rs. 0.59 lakhs each was sanctioned in the last financial year. Assam gets a loan of Rs. 4 lakhs for the estate at Gauhati and Rs. 1 lakh for the estate at Dhekiajuli. For the estate at Gauhati, a sum of Rs. 5.7 lakhs and Rs. 6 lakhs were sanctioned in 1956-57 and 1957-58 respectively and for the estate at Dhekiajuli Rs. 15 lakhs were sanctioned in the last financial year. The construction of the Gauhati estate has progressed considerably and the estate is expected to function from October this year. For the industrial estate at Gandhidham in Bombay, a sum of Rs. 1 lakh was sanctioned for the State in 1957-58, which has been revalidated for utilisation during the current financial year. One hundred and three industrial estates have been planned to be constructed all over the country. Of these 64 have been approved so far. Eleven estates have been completed and occupied. Twenty three estates are under different stages of construction. They are likely to be occupied by October this year.

Bricks Factory at Bhilwara: Yet another link between science and industry was forged when a few days ago a factory for manufacturing heat-insulating mica bricks went into production at Bhilwara in Rajasthan.

than. The process for the production of these bricks was developed at the Central Glass and Ceramic Research Institute, who also designed the main plant set up at the factory. Heat-insulating bricks are used as baking material in the construction of industrial furnaces. The factory at Bhilwara, which is the first of its kind, in India, utilises scrap or waste mica as raw material. The present output of the factory is nearly 3,000 bricks per day. The output is expected to be raised to 6,000 bricks per day by the end of the current year. India's annual requirements, estimated to be of the value of over Rs. 20 lakhs, were until now met by the import of vermiculite bricks. This new industry, therefore, means some savings on the country's foreign exchange resources.

Record Increase in Production of Machine Tools:

A record increase in the production of machine tools, heavy reduction in their costs and sale prices and the introduction of workers' participation in management are some of the main achievements of the State-owned Hindustan Machine Tools Ltd. according to its Annual Report for 1957-58. The Report also details various benefits, that have been given to workers, which include incentive bonus and increases in wages, dearness allowance etc. The number of machines produced by the factory during 1957-58 was 402 as against 135 during the previous year. The production represents an increase of above 300 per cent over the target of 131 machines set for the year at the beginning of the second Five-Year Plan.

TRADE

Schedules to Indo-Rumanian Trade Agreement

Extended: Pending negotiations for the modification of the Indo-Rumanian Trade Agreement, concluded in March 1954, the validity of the Schedules attached to this Agreement has been extended for a further period of three months ending September 30, 1958, through letters exchanged in New Delhi between Shri K. B. Lall, Joint Secretary, Ministry of Commerce and Industry, and Mr. D. Niculescu, Trade Representative and Commercial Counsellor of the Rumanian People's Republic in India. There has been a sizable increase in trade between the two countries since the conclusion of the Trade Agreement. Exports during 1957 were valued at Rs. 54.6 lakhs as against Rs. 8 lakhs in 1956 and Rs. 2 lakhs in 1955. Imports during 1957 amounted to Rs. 52.3 lakhs as against Rs. 24 lakhs in 1956 and Rs. 35 lakhs in 1955.

Foreign Trade of India in February 1958: The provisional figures of foreign trade of India by all routes i.e., sea, air and land, on private and Government accounts during February 1958, according to data so far available in the Department of Commercial Intelligence and Statistics, Calcutta, are as follows: **Merchandise:** excluding transit trade of Pakistan and other overland foreign countries viz., Nepal, Tibet, Sikkim and Bhutan: Exports Rs. 41.40 crores, re-exports Rs. 56 lakhs, imports Rs. 66.56 crores; total trade Rs. 108.52 crores. **Treasure:** Exports (including re-exports) of currency notes Rs. 30 lakhs, gold nil, current coins (excluding gold coins) Rs. 2 lakhs, Imports of currency notes Rs. 2.21 crores, gold Rs. 14 lakhs, current coins (excluding gold coins) nil. **Balance of Trade:** The merchandise import figures are exclusive of the value of certain consignments of Government stores awaiting adjustment. Subject to this deficiency in import figures, the total value of exports (including re-exports) of merchandise and gold fell short of imports by Rs. 24.74 crores.

FINANCE

Loan for Nagarjunasagar Project: The Government of India have sanctioned a further loan of Rs. 50 lakhs to the Andhra Pradesh Government for the Nagarjunasagar Project. Loans sanctioned so far for this project to the State Government and the former Hyder-

abad State come to Rs. 12 crores and 7 lakhs. Up to the end of April this year, excavation of foundations for whole length of the non-overflow gravity dam and spillway section was completed except in three portions. Masonry work was in progress both in the coffer dam area and main river portion and 6.3 million cft. of masonry was laid up to the end of the month against the programmed quantity of 7.5 million cft. Detailed investigations of the Right Bank Canal have also been completed. Excavation work was in progress in the first 28 miles, and 134.7 million cft. of earthwork were done. On the Left Bank Canal, investigations were completed in a length of 84 miles out of a total length of 108 miles. Excavation also made headway in a length of 13 miles and 81.5 million cft. of earthwork had been done in this portion as against the programmed quantity of 35.7 million cft. The Nagarjunasagar Project is on the Krishna river and consists of a gravity dam, built of stone masonry, 302 ft. high above the foundation level. It will have a gross storage capacity of 5.44 million acre-feet. Irrigation from the stored waters will benefit 20.6 lakh acres. The project is estimated to cost Rs. 86.33 crores and is expected to be completed in 1964.

Allocation for Research in Irrigation, Power and Flood Control: The Government of India have sanctioned a scheme for conducting fundamental and basic research on problems concerning river valley projects and flood control works. The scheme is estimated to cost Rs. 105 lakhs. During the second Five-Year Plan, research will be carried out at 12 stations in the country on 12 problems. Of the amount allocated, Rs. 19.82 lakhs will be spent on sedimentation studies in streams and reservoirs and Rs. 11.72 lakhs on determining engineering properties of soil. Research on cavitation and design of channels will cost Rs. 8.53 lakhs and Rs. 8.97 lakhs respectively. Work will also be done on the standardisation of the use of surkhi and other pozzolanic materials in mortar and concrete. This is expected to cost Rs. 4.94 lakhs. Development of economic alternatives to stone for river protection works will also be taken up. A sum of Rs. 6 lakhs has been earmarked for it. The research stations will also study the problems of sub-soil flow, turbulence and air entrainment, involving expenditure of Rs. 6.64 lakhs, Rs. 3.40 lakhs and Rs. 3.05 lakhs respectively. Other problems to be taken up are vibrations in soil under machine foundations and the principles of mortar and concrete mix design; Rs. 3.97 lakhs and Rs. 5.03 lakhs respectively have been set aside for these studies.

GENERAL

Promotion of Handicrafts Co-operatives in States: Sub Committees of the Co-operative Advisory Committee of the All-India Handicrafts Board are to be formed in different States to promote the formation of co-operative societies for the production and marketing of handicrafts. This has been decided by the Advisory Committee, which held a meeting in New Delhi under the Chairmanship of Shri Dip Narayan Sinha, Minister of the Bihar Government. The Sub-Committees will formulate schemes and make recommendations to the All-India Handicrafts Board for the development of the co-operative movement. The Committees will be largely non-official in character. The Advisory Committee also suggested that a Pilot Project for intensive development of handicrafts should be set up in each State. The Committee recommended that training for organizers to run the co-operatives in States should be provided under a Central scheme. To meet the shortage of trained designers for different handicrafts, the Committee recommended to the Handicrafts Board that a scheme for providing training to designers should be started. The designers will, after training, be attached to the various design centres.

NEWS IN BRIEF

INDIAN

Export of cotton waste (soft) including silvers, roving ends and bondas will continue to be licensed freely till December 31, says a trade notice issued by the Joint Chief Controller of Export, Bombay.

The Government of India have released a quota of 5,000 tons of linseed oil cake for export ending the period September, 1958, or till the ceiling is reached, whichever is earlier. Licensing will be stopped as soon as the ceiling is reached, the communique added.

The potential hydro-electric resources of India capable of being developed at the present cost rates are estimated at 40,000 mega watts.

A total area of 329,500 acres is to be reclaimed by mechanical means in 1958-59. This would result in additional food production of 61,233 tons, according to an official press release.

One hundred Indian experts worked in various countries under the U.N. Programme of Assistance (EPTA) during 1957, according to the tenth annual report of the U.N. Technical Assistance Board released in New Delhi recently.

The Union Government have decided that concessions allowed in respect of import licenses for Jammu and Kashmir during the last licensing period will be continued during the current period, that is, from April to September.

The Export Promotion Council for sports goods which was recently set up with the support of the Government of India has taken on hand the work of registering exports of sports goods.

An Indian standard specification for crow bars and claw bars (IS: 704-1957) has been issued by the Indian Standards Institution.

It is reported that ever since the introduction of the piece rate system some of the port and dock employees had earned as much as Rs. 300 to Rs. 1,000 per month and a large number of them paid income tax. There was the case of an employee who in one day earned as much as Rs. 58.

The production and despatches of indigenous sugar amounted to 19.63 and 11.74 lakh tons up to May 31, 1958, in the current season as against 19.75 and 12.27 lakh tons respectively in the corresponding period of the last year. The stocks with the factories on May 31, 1958, stood at 12.12 lakh tons, as compared to 12.70 lakh tons last year.

The Government of India and the United States have signed 10 project agreements under which India will receive a total of \$1,681,744 in technical assistance funds for various phases of Indian developmental activity.

It is reported over a dozen schemes for the development of handicrafts in two States, Uttar Pradesh and Punjab are to be continued during the current financial year.

FOREIGN

U.K.'s visible trade gap last month was one of the lowest since the war. A seasonal increase in exports combined with a small drop to give a deficit of only £6.6 million. Exports rose by £22 million to £287.3 million, the highest for a year. More than a third of the increase was in shipments to North America.

The Dominion Bureau of Statistics has reported that foreign long-term investment in Canada rose by more than \$2,000 million to a record \$15,600 million in 1956, and may have reached \$17,000 million by the end of 1957.

The U.S. Federal Reserve Board revealed that the industrial production index moved up one point from April to 127 per cent of the 1947-49 average. It is still 18 points below the level of last August and 20 below the record high of December, 1956.

The Netherlands Bank has reduced its discount rate by $\frac{1}{2}$ per cent to $5\frac{1}{2}$ per cent. This is the third cut in the Bank rate this year.

It is reported the U.K. and Eire have reached agreement on the exports of Irish butter to the U.K.

The Bundesbank (German Federal Bank) has granted the World Bank a new \$75 million, 2.5 per cent credit redeemable in three annual instalments. In addition, \$40 million World Bank bonds falling due on July 11 have been renewed for a period of three years, also at 2.5 per cent.

Canada and Ceylon have exchanged notes formalising a grant of Rs. 10 million worth of Canadian aid (£750,000) to Ceylon under the Colombo Plan for 1957-58.

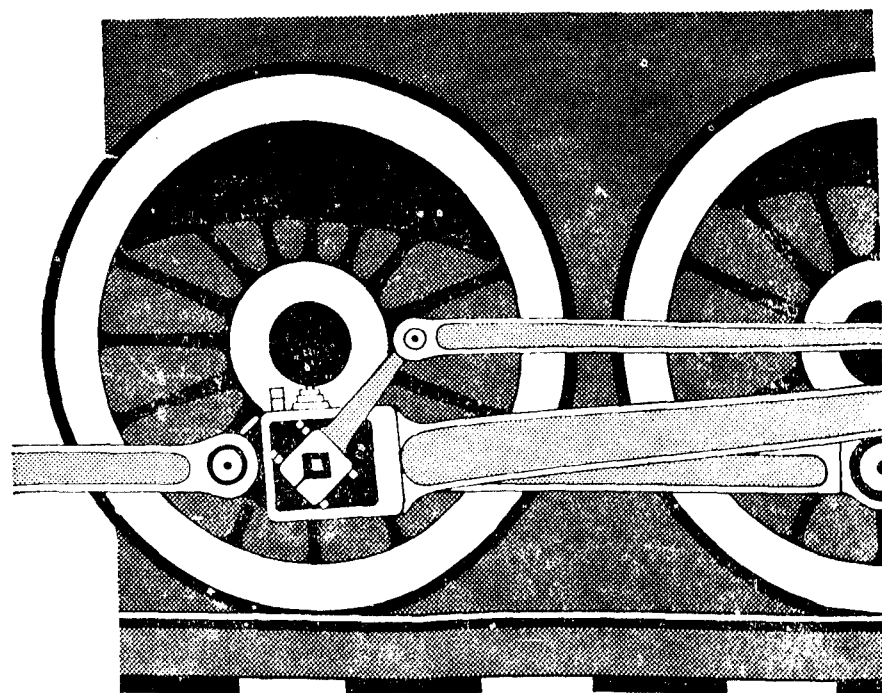
During the 1958 season, Australia had shipped 5.5 million cases of apples and 1.4 million cases of pears to Britain and the Continent, worth £A 9.5 million. This compared with 3.4 million cases of apples and 1.1 million cases of pears valued at £A 6 million in the previous season.

Steel production in the six E.C.S.C. countries in May was 4.77 million tons, a fall of 72,000 tons compared with April, when output was 358,000 tons less than in March. The figure for May 1957 was 5.06 tons.

Sudan will receive a £S 14 million loan from the World Bank for a five-year railway development programme. The loan is to be repaid within twenty years.

The gap between British and German exports to Portugal continues to widen in Germany's favour. During the first four months of this year British exports dropped to 567 million escudos (about £7 million) from 622 million escudos in the same period last year.

It is reported orders for steel have been placed with the Soviet Union by the Industrial Development Corporation of Pakistan.



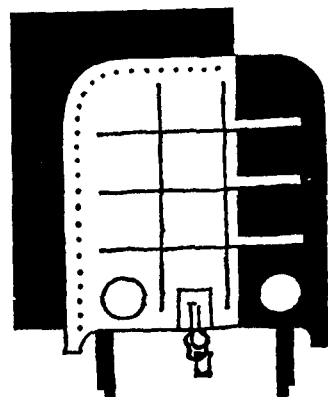
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A DELHI NOTEBOOK

LABOUR MANAGEMENT RELATIONS

THE working of two public enterprises—the Hindustan Shipyard and the Sindri Fertilisers—has come in for close study by an institution in Bangalore. Labour-management relations are particularly dealt with by the Study Group concerned. In the Hindustan shipyard, says the Study Group, the high degree of centralisation and the corresponding lack of delegating authority and responsibility arrest the development and inhibit the growth of leadership and, naturally, lead to inefficiency. There is still considerable suspicion, to fear and hate between Labour and Management. The saving grace, according to the Study Group, is that there are people of goodwill on both the sides aware of the evils and conscious of the necessity of concerted action for desired correction. But it is management, by virtue of its advantageous position and knowledge, that must take the initiative. The outlook of labour, it is said, will then change and even demagogic leaders will think twice before they mislead the rank and file of workers. The Study Group is emphatic in its opinion that workers will not tolerate divisive tactics that adversely affect the logical growth of the industry, once harmonious Labour-Management relations are established.

According to the French experts employed at the Shipyard, the present Indian technical officers and staff are inexperienced. The output of riveters is poor, the ratio between a French worker and a Vizag worker is 7.8 to 1. There is no organised quality control in the yard, and the rate of man days required for a certain job at a European yard and the Vizag Yard comes to 1:355.

IN THE SINDRI FACTORY

In the Sindri Fertilisers, the Study Group says, the maintenance department is unwieldy and has all kinds of engineering and store activities under its wing. Raw materials supply in respect of coal is unsatisfactory from the point of view of quality control, and instrumentation is inadequate. The Industrial Engineering Department is not being utilised at all for the purpose it is used elsewhere. There is overlapping of functions and responsibilities. A study of manpower and production indicates that productivity per man per annum has been in the decline and has fallen by nearly 8 per cent since 1952.

LESSONS OF DOCK STRIKE

It is stated here that the Government of India, by centralising dock labour under the Ministry of Transport, has unwittingly forged unity amongst them. If each Port Trust had been left free to tackle the problems of its own labour, there might not have come about an all-India federation of dock workers and a strike on an all-India basis. It is pointed out in this connection that similar centralisation took place in the case of Bank labour with similar results. Current proposals to centralise the Iron and Steel labour may also be expected to have the same adverse results. In the light of these trends, it is urged in some quarters that the Government should decentralise Posts and Telegraph labour and Railway labour and bring about zone-wise or statewide settlements.

TRIPARTITE COMMITTEES

The Union Ministry of Labour and Employment has just set up a tripartite committee at the Centre to re-evaluate the implementation of awards, agreements and settlements. A tripartite Industrial Committee is also been set up for the jute industry. This Committee is expected shortly to review the position of the jute industry with special reference to the closure or threatened closure of some jute mills. Yet another committee has just been appointed by the Labour Ministry to

consider the question of payment of bonus to tea garden workers in Assam, West Bengal and Tripura from 1957 onwards.

ASSAM REFINERY PROJECT

The report of the U.S. Consultants on the Pipeline Project to connect the Naharkatiya Oilfields to the site of the refinery in Assam over a distance of 300 miles is now being examined by the Government of India. This report, it is learnt, favours one refinery in Assam alone on the ground that it will be cheaper in the present difficult foreign exchange situation, than two refineries—one in Assam and the other in Bihar—proposed by the Government. The report also points out that modern methods will enable the pipeline to carry all petroleum products from crude to finished. Also, the report does not prejudice the Assam Oil Company's original offer of £10 million to finance the Pipeline Project; as a matter of fact this offer has just been reaffirmed. As for the Refinery Project, the latest development is that an Indian team has left for Rumania to negotiate the credit offered therefor. If ultimately the Government should decide to go in for one refinery in Assam alone, it may be that the possibilities of securing the collaboration of the British firm of Head-wrightson will also be explored. Indications are that there is no finality about the acceptance of the Rumanian offer for building the refinery.

COAL AND LIGNITE

It is learnt that the target for coal production in the third Plan period has been tentatively fixed at 100 million tons. As far as coal production in the public sector in the second Plan period is concerned, the Planning Commission has placed a ceiling of Rs. 40 crores for investment as against Rs. 45 crores suggested by the Ministry of Fuel. The proposal to permit the private sector to produce, during the Second Plan period, an additional 1.4 million tons of coal to serve as a cushion against any possible shortfall in that sector has, however, been dropped. The Planning Commission has also finally reduced the original provision of Rs. 60.6 crores for the Integrated Lignite Project at Neiveli to Rs. 46.6 crores, made up of Rs. 20.3 crores for the Mining Scheme, Rs. 17.0 crores for the Thermal Power Station and Rs. 9.3 crores for the Fertilizer Plant. The Briquetting and Carbonisation Scheme of the Neiveli Project is dropped for the present.

INDIAN TECHNICIANS ABROAD

There are over 5,000 Indian nationals with technical qualifications who are currently abroad. Most of them are taking advanced courses of study or training in foreign countries. Some of them are also employed overseas. The National Register of the Council of Scientific and Industrial Research has brought together considerable information about the technically qualified Indians in foreign countries.

According to the Register, there are 2,000 Indian technical personnel in the United Kingdom, 1,510 in the United States, 250 in Canada, 950 in the European countries, 250 in Australia and New Zealand and 500 in other countries. Of the total, 2,200 are trained in engineering, 1,200 in science, 800 in technology, 970 in medicine and 290 in Business Administration and Accountancy. The average number of technical personnel expected to return to India annually in the next few years is estimated at 1,500. It is stated that trainees in the United States are mostly reluctant to return to India because they are earning much more than they are offered in this country. How the Government of India propose to utilise these well-trained technical personnel for the development programmes in the public as well as the private sector, is the question.

Special Article

AGRICULTURE VERSUS INDUSTRY IN RUSSIA

SOME months back, it may be recalled, the Soviet Government decided to dismantle the State-owned machine-tractor stations and sell their tractors and equipment to the collective farms which had all along owned only the buildings, light tools and livestock. Although it was known this move would have the effect of reducing, in some measure, State control over the collective farms, there was the compensating consideration that farmers might thereby be provided with an incentive by way of a sense of self-management of their operations. As a carrot to the peasants, this was, however, not of much significance because the Soviet Government knew that the stick could continue to be successfully wielded by collective farm chairmen who were drawn from the trained cadres of the Communist Party and who, though nominally elected by the members of collective farms, were in fact forcefully recommended by the local party authorities. Notwithstanding these limitations, the reform was, outwardly at any rate, a concession to the agricultural sector.

Another such apparent concession is now proposed by way of abolition of the notorious compulsory grain deliveries by collective farms in favour of a new pricing system. This move, again, is ostensibly intended "to raise the incentives to collective farms and collective farmers." Although details are not available, it may be validly supposed that what the State has all along been getting will continue to be got through a pricing system which, while it may not appear outwardly discriminatory, could still see to it that the increased money returns on sales by collective farms are wiped out by revised prices for their purchases. Mr. Wolf Ladejinsky's pregnant remarks made in October last year are not invalidated by these apparent concessions. The remarks are: "It is doubtful whether it (the Communist dictatorship) will find an answer to the only questions that matter: how to insure the loyalty of the peasants, and how to raise agricultural production with a peasantry lacking the incentive to produce.....The dogma persists that only Communist-controlled, collectivised agriculture can insure the progress of industrial development. This dogma can survive only through continuous resort to force. On the collectivised fields of Soviet Russia the Communists have practised this for 27 years, and the struggle is still on."

Yes, the struggle may be expected to go on so long as the demands and compulsions of heavy industrialisation are there to distort or retard agricultural development. It is in this context that a study of comparative investment in agriculture and industry and of agricultural performance in the Soviet Union in the last 25 years or so is suggested. The results of this study are brought out in the table alongside.

It may be seen from the figures that investment in Soviet agriculture during the entire 1928-55 period was only about 14 per cent of all investments in the economy. Industry, on the other hand, accounted for nearly 56 per cent and all other sectors 30 per cent. Incidentally, a comparison of the Soviet second Plan's sectoral investments with those of India's second Plan would be revealing. Under the Soviet second Plan, agriculture accounted for 12 per cent, industry for 69 per cent, and other sectors for 19 per cent of all investments. Under India's second Plan, on the other hand, agriculture (including irrigation and community development) accounts for 24 per cent, industry 36 per cent and other sectors for 40 per cent of all investments in the public and private sectors together.

INVESTMENTS IN BILLION ROUBLES

(in 1953 prices)

	In agri- culture (a)	In indus- try	In all other sectors	Total
First Plan period (Beginning 1928)	6 (9.4)	49 (76.6)	9 (14.0)	65 (100)
Second Plan period.	18 (12.0)	104 (69.3)	28 (18.7)	150 (100)
Third Plan period.	24 (15.9)	87 (57.6)	40 (26.5)	151 (100)
War period.	23 (15.5)	32 (55.6)	43 (28.9)	148 (100)
Fourth Plan period.	51 (14.3)	186 (52.3)	119 (33.4)	356 (100)
Fifth Plan period ending 1955.	99 (14.4)	357 (52.0)	231 (33.6)	687 (100)
Total for 1928-55.	221 (14.2)	865 (55.6)	470 (30.2)	1,556 (100)

N.B.: Figures in brackets are percentages of the totals in Col. 5.

(a) Cover investments by collective farms themselves and estimated State investments in State farms, machine-tractor stations, irrigation, etc. Figures may err somewhat on the high side.

The imbalance, thus seen, in sectoral investments in the Soviet Union is still continuing in spite of the fact that the relative share of agriculture in the total investment in the economy has increased somewhat from 12 per cent in the second Plan period to 14.4 per cent in the fifth Plan period. A better insight into the extent to which Soviet agriculture, while being starved of adequate investment, contributes a surplus to the overall pool of investible resources is, however, called for. This is sought to be provided in the following paragraphs.

The agricultural sector's contribution in 1955 to the gross national product of 593 billion roubles (in 1953 prices) was 172 billion roubles while that of the industrial sector was 243 billion roubles. The gross investment in agriculture was 25 billion roubles (in 1953 prices) as against a gross investment of 85 billion roubles in industry. Thus investment in agriculture represented 14.5 per cent of the gross agricultural product whereas the investment in industry constituted 35 per cent of the gross industrial product. Such a high rate of industrial investment should have been possible only because of a far lower rate of agricultural investment.

It would appear that instead of industry releasing an investible surplus for agriculture—which should have been the case after 15 or 20 years of hectic industrialisation—a substantial surplus has been squeezed out of agriculture for investment in industry as recently as

1955. This surplus (over and above what is invested in agriculture itself) is estimated at anything between 10 and 15 per cent of gross agricultural product as against 2 per cent or so by way of land revenue in India. The surplus, forced out of Soviet agriculture in a variety of ways, would not have been possible without collectivisation and concomitant regimentation of the peasantry.

But the Soviet peasantry has not been cheerfully paying that price. The disincentive impact of the price has been felt most markedly through static unit-area yield. The performance of collectivised agriculture in yield. The performance of collectivised agriculture in yield. The performance of collectivised agriculture in yield. A picture of agricultural performance is, however, not available in terms of a weighted index of agricultural output based on 1928. Absolute figures of production of principal crops in the two years—1928 and 1955—are given below:—

Crops	1928 (in million metric tons)	1955 (in million metric tons)	Percentage increase in 1955 over 1928
Grain	73.3	100.0	36.4
Potatoes	46.4	67.0	44.4
Cotton (Unginned)	0.8	3.9	387.5

In the same period the areas under these crops have increased as under:—

Crops	1928 (in million hectares)	1955 (in million hectares)	Percentage increase in 1955 over 1928
Grain	92.2	126.4	37.1
Potatoes	5.7	9.1	59.6
Cotton	0.97	2.20	126.8

The above figures, by themselves, are an eloquent proof of the fact that Soviet agricultural performance, measured in terms of unit-area yield, has not improved under conditions of collectivisation. An increase of about 36 per cent in grain output in the period 1928-55 has come about through an area increase of 37 per cent and not through any increase in per-hectare productivity. In the case of potatoes the position is worse because an area increase of 60 per cent in the period has involved an output increase of 44 per cent only. The only exception is cotton which has registered an output increase of 387 per cent for an area increase of just 127 per cent. This performance of cotton is explained by the fact that the small area under that crop could be, and actually has been, dealt with on a special basis with adequate facilities in irrigation and fertiliser application.

The performance of collectivised agriculture has been still worse in terms of production per capita of the entire population. That the output of food (grains and potatoes) has remained static at 0.75 tons in 1955 as in 1928 in spite of an area increase of about 35 per cent in the period, is a further commentary on the state of collectivised agriculture in Russia.

This virtual stagnation in Soviet agriculture—in terms of unit-area yield and per capita production—is the result of a lack of adequate reinvestment for the purpose of improving productivity. No doubt there has been some input of capital into agriculture by way of reclamation, irrigation, mechanisation, fertiliser application, and so on. But all this investment has been just sufficient to maintain per capita production at the same level as in 1928. In other words, the rate of investment in agriculture has been too low to bring about a substantial increase in total as well as per capita food output through an improvement in productivity.

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BOOK REVIEW

INDIAN LABOUR CODE

Indian Labour Code: By S. N. Bose: Published by Eastern Book House (Private) Ltd.: P13, Ganesh Chunder Avenue, Calcutta: Price: Rs. 25.00.

The object of all labour legislation in any country is to safeguard the interests and welfare of workers, bring about harmonious industrial relations and promote industrial peace which is essential for industrial progress. Such legislation also provides the framework of the machinery for the ventilation of grievances and their redressal. Recent developments in India and outside, have, however, shown that quite often labour unrest is on account of political factors and has only nominal relation to the real demands of the workers. The efficiency of the machinery devised and of the labour enactments cannot be judged by such situations, because by their very nature they are not within their scope. There are, however, occasions when national loss arising out of strikes, lock-outs etc., could be avoided if there is a correct understanding of the labour enactments among the workers, the employers and also on the part of the officials who are entrusted with their implementation. It is, therefore, expected that a correct appreciation of labour laws will go a long way in generating a spirit of mutual co-operation.

What distinguishes the 'Indian Labour Code' from any other book on the subject is that the author has taken pains to bring together all labour enactments, ordinances, rules etc. Other legislations which may not be directly connected with labour but are relevant and have a bearing on the problem, have been included, and this enhances the utility of the book for reference. The classification of the laws under various heads and the introductory notes given by the author are very useful and give an idea of the rapid progress made by India in the matter of labour enactments, and the situations which led to the subsequent amendments. It is also to be noted that in Factory, Plantation, Mines labour reforms and in social security legislation, India has followed closely the recommendations of the International bodies like the I.L.O.

The third edition of 'Indian Labour Code', under review — its two editions were brought out in 1948 and 1950 respectively — is not just a revision but contains several new features. New labour laws have been added. Additions include Safety Provisions of the Factories Act 1948, Occupational Diseases and Indian Boilers Act 1923 under Factory and Establishment legislation; Mineral legislation has been added under Mining. The chapter on Transport Labour laws has been rendered comprehensive by the inclusion of legislation affecting maritime, port, road transport and air transport labour. Legislation on Indebtedness, Fair Wages Clause and C.P.W.D. Contractors Labour legislation have been added to Wages Legislation. Under Social Security enactments, Provident Fund legislation undertaken prior to enforcement of the Employees' Provident Funds Act of 1952 have been incorporated besides Superannuation Funds Act, Rules for Gratuity Fund and extracts from the Indian Trusts Act and the Estate Duty Act about investment of the trust money under the former Act and trustees' liability under the latter. Industrial Housing legislation, which is a new one, has been added. Under the Miscellaneous head and the Appendix, there is considerable useful material for study.

'Indian Labour Code' fulfils a vital need for a reference book on the subject of labour enactments for colleges, Trade Unions, Labour Welfare Officers and, above all, commercial and industrial concerns.

ECONOMIC DEVELOPMENT IN INDIA

Economic Development in India: The First and Second Five-Year Plans: By Dr. N. A. Sharma: Pp. 58.

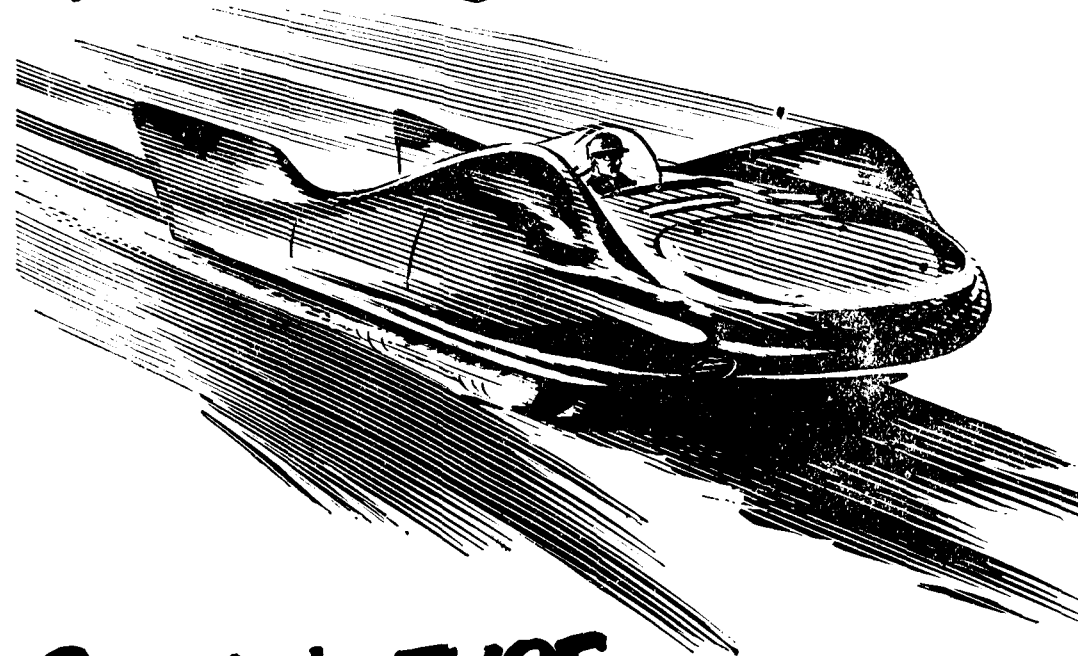
In this small booklet, which is a reprint from the April, 1958 issue of the International Monetary Fund "Staff Papers," Dr. N. A. Sharma, one of our promising younger economists (and presently Chief of the South Asia Division of the Fund) has presented, in lucid and non-technical language, India's efforts at, and experiences of, economic expansion during the past seven or eight years. After briefly delineating India's national resources, population, land area, extent of industrialisation before the commencement of planning, availability of trained personnel, government's economic policies, role of private enterprise, etc., the author has presented a fairly comprehensive picture of the achievements of this country during the era of economic planning without, at the same time, entering into details regarding any of the known controversial aspects of India's second Five-Year Plan. Nevertheless, in his concluding remarks which are well balanced and judicious, the author has placed his finger precisely on the trouble spot in our second Plan. He thus says "it is modest in comparison with urgent requirements; but, in relation to resources, it is somewhat over-ambitious. If (italics ours) the difficulties in mobilizing the necessary resources for the Plan are met, in part with external assistance, and the Plan succeeds substantially, it would set the tone for the longer-term perspective and would render further growth less uncertain." The booklet should be helpful to all those interested in India's economic development generally and to foreign readers in particular, in that it tries to clear some of the common misconceptions in foreign countries one hears about the Plan, notably the Government of India's relationship with the private sector.

MANGALORE

Mangalore: A Souvenir Published by the Canara Industrial and Banking Syndicate, Udipi.

Commemorating the opening of their new building at Mangalore—a flourishing industrial and commercial centre in the State of Mysore—the management of the Canara Industrial and Banking Syndicate, Ltd., have brought out a souvenir containing articles which have appropriately a bearing on the historical, cultural, and economic aspects of that place. The articles are written by very competent men, such as Mr. Haridas Bhatta, the Editor of the Souvenir, and Mr. Shivaraman Karanth, the noted Kannada novelist, among others. The writers possess first-hand knowledge of the subjects they have handled, as they all hail from that fascinating part of the peninsula. The Canara Industrial and Banking Syndicate deserves to be congratulated upon their laudable venture and, more particularly, on having been the first to practise what their Managing Director, Dr. Pai, feels, namely that occasions like a silver jubilee or the opening of any branch or new bank building in any place should be availed of to tell the story of that place. At the same time, one cannot but point out two minor shortcomings of the Souvenir. In the first place, the article dealing with the economic aspect of Mangalore—"Notes on trade and industry"—is rather cursory; it should have been more elaborate covering the development of banking and trade in that region from the early times in greater detail. Nevertheless, the conclusion of the author regarding the development of Mangalore as an all-weather port is very significant and deserves notice.

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- the branches and treasury pay offices of the State Bank of Hyderabad within the State of Bombay.
- the Government treasuries and sub-treasuries in the State of Bombay at places where there is no branch or treasury pay office of the aforesaid banks.
- Applications will also be collected by the State Bank of Saurashtra at Bhavnagar and its branches within the Saurashtra area of Bombay State and forwarded to the nearest receiving office.

Full particulars can be obtained at any of the receiving offices mentioned above.

Economic Report from the U. S.

A SIGNIFICANT RECOVERY

(By GUY SIMS FITCH)

WASHINGTON, June 17.—Now that the midway point of 1958 is approaching, where does the United States economy stand?

So far, this has been a year of adjustment — an adjustment which actually began during the latter part of 1957. But now, after eight months of decline, the latest summary of national business conditions by the U.S. Federal Reserve Board (FRB) points to a slight but significant firming of economic activity. Industrial production, employment and incomes all edged up in May. Retail sales held up well, wholesale prices of industrial commodities were generally stable, and total bank credit kept expanding. Since these trends emerge from seasonally adjusted averages, actual economic activities showed an even greater improvement in many cases than would usually be expected at this time of year, normally a busy one for the economy.

Production trends are a case in point. The output of manufactures and minerals, as measured by the FRB's seasonally adjusted index of industrial production, was in May, 127 adjusted per cent of the 1947-49 average — the base period for most U.S. economic measurements. While this was still 12 per cent below last August, it was one point above April and the first seasonal rise in industrial production in eight months. The May increase reflected not only greater activity generally, but also specifically a small gain in durable goods industries — the hardest hit of the industrial segments — after a decline by about one-fifth from August through April. Curtailment in minerals production also had been marked through April, but output was maintained in May. Production of non-durable goods, on the other hand, has been relatively stable at a rate only 5 per cent below the August 1957 peak. The better durable goods situation stems in large measure from a significant recovery in two key industries: automobiles and steel. Steel ingot production, as indicated by earlier industry estimates, rose from 80 per cent of the 1947-49 level in April to 89 per cent in

May. What is more, the improvement has continued in June, with output estimated during the past few weeks at 106 per cent of the base period. In the consumer durables field, seasonally adjusted automobile production rose in May about one-fifth, to 96 per cent of the 1947-49 average, and was maintained at this improved rate in early June. Output of household furniture and television sets also increased in May. These advances helped offset further declines in the production of most business equipment, in line with reduced capital investment programmes. Particularly significant, rail shipments of manufactured goods, which had declined sharply from the summer of 1957 through March 1958, rose slightly in both April and May.

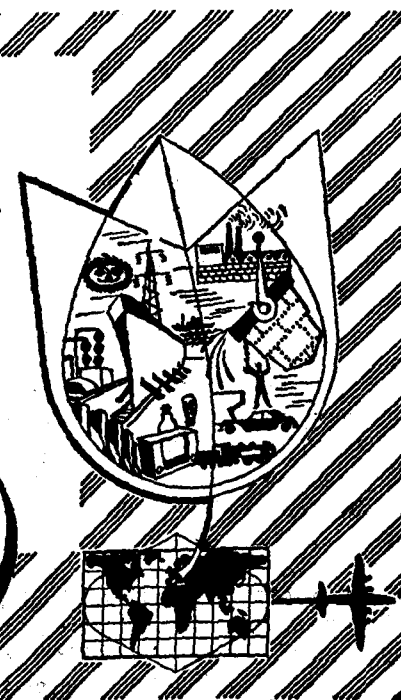
In the construction field, private housing starts — that is, new private dwellings put under construction — rose in May to a seasonally adjusted annual rate of 1 million units from 950,000 in April. The value of all new construction declined slightly. At the same time, however, gains have been reported in the value of heavy engineering contract awards — a promising sign as far as future construction is concerned. Seasonally adjusted retail sales remained in May at their improved April level, a very modest three per cent below the peak of the summer of 1957. In fact, sales at department level stores advanced slightly in May and continued at the higher levels in early June. Sales of new automobiles, which had been lagging badly during the early months of 1958, reached a new high for the year in May, and dealer stocks dropped substantially. This evident firming of U.S. economic activity appears to support those who have been insisting all along that the current setback is in the nature of a "classical" business adjustment which would last about a year or so before a recovery trend would begin. The duration of the adjustment generally mentioned has been between 12 and 14 months — about the same length as the other two post-war adjustments of 1948-49 and 1953-54. If this prediction is borne out, a sustained upturn would most likely set in sometime this autumn.

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The Business World

WHAT IS WRONG WITH TRADE UNIONS?

By

CROESUS

IN an illuminating address to the Lions Club, North Bombay, on recent developments in the world of management and Trade Unions Mr. M. R. Masani, M.P. made a very timely observation—I say “timely” because of the prevailing strike conditions in Bombay — when he pinpointed the basic malady from which industrial relations in India are suffering today. According to him, this malady is no other than the absence of stable, representative and democratic trade unions in a majority of our industrial establishments, and he proved his thesis by giving some interesting statistics. The statistics presented by Mr. Masani may come as an eye-opener to many, but it should be mentioned, he was only quoting from official sources. Thus in 1953-54, out of seven million industrial employees, there were only about two million who were members of trade unions, taking the members of all the four federations of trade unions together. Even this small membership was shared by as many as 3,295 unions, giving an absurdly low average of 641 members per union. But not all these members paid their dues regularly, as seen in the average annual income of an union which is around just Rs. 1,845. This, as Mr. Masani said, is woefully inadequate even for the maintenance of one full-time officer. In view of this, it is not surprising that we should be having a fiction of a “representative” union having no more than a membership of 15 per cent of the workers in an industrial undertaking in the State of Bombay. But any union claiming even this ridiculously low membership can claim the monopoly of representing all the workers, which means that the rest of the workers are as good as disenfranchised.

What are the reasons for this state of affairs? This question was posed by Mr. Masani and also answered by him. As he rightly said, this is basically the result of illiteracy of the workers. But the position has been greatly aggravated, as he added, by the excessive political domination of our trade unions. To some extent, it is the law itself that is to blame for it has encouraged this tendency by allowing the office-bearers and no less than half the members of the executive committee of trade unions to be composed of “outsiders”. There may be some justification for allowing competent outsiders who are solely interested in the workers to help them, but to load the union committees with so many outsiders, particularly those with strong political affiliations, will not help the workers to develop a sense of organisation and throw up leaders from their own ranks comparable to the great union leaders of Britain and America. As in every other walk of life, therefore, it is the wall of education against which we knock our heads. Unless every effort is made to promote literacy among workers and train them to organise themselves in a disciplined way, we cannot hope to have a healthy trade union movement in this country.

One would have expected that Labour Ministers, both at the Centre and in the States, were fully aware of all these limitations to hazard the slogan of “One Industry, One Union.” This is as unrealistic practically as it is attractive theoretically. Rather than aspire to have one industry and one union, our labour enthusiasts will do well to be more realistic in their ambitions. Let them begin with “One Union, One Establishment.” For too long has the country been witnessing the painful spectacle of strikes in one industrial establishment after another, which, on more occasions than one, have only been the outcome of a competitive bidding for membership of the workers by the existence of rival unions in the same establishment aspiring for “Representative Unionship.”

While Mr. Masani expressed himself strongly against the excessive domination of trade unions by politicians generally, he categorically ruled out any support to trade unions which were not democratic. In fact, he was more emphatic on this particular characteristic of a trade union than even on its stability or representative character. In particular, he opposed giving encouragement to unions led by the Communists or unions affiliated to the All-India Trade Union Congress, which is the apex Communist-dominated labour body. And he had very good reasons for doing so. For Communist trade unions, although ostensibly professing to champion the interests of workers, have a different purpose and character — to serve as the ‘conveyor-belts’ of the Communist party, as Lenin described them. In such an event, that is, when in any plant or factory, the legally representative union, is a Communist union, the question as to what should be the alternative would arise, if it is not to be encouraged and if, at the same time, healthy trade unionism is to be promoted. Mr. Masani himself had the solution. Where a representative democratic union did not exist, he suggested that the management should seek to provide expression for the opinion and sentiments of the employees by setting up joint councils to which employees would send their own elected representatives. This is only to be expected from one who is a firm believer in increasing association of workers in management, but it should be noted that, although holding this to be a sound policy, Mr. Masani is opposed to bringing in any legislation for this purpose.

Be that as it may, the question whether there should be a trade union or a joint council or some other avenue for the employer to communicate with his employees would mainly depend on the employer himself. For in the ultimate analysis, it is his primary duty to provide suitable leadership to his employees through efficient and fair management and progressive supervision. There could not be a better contribution by an employer to the healthy development of the trade union movement in the country than this.

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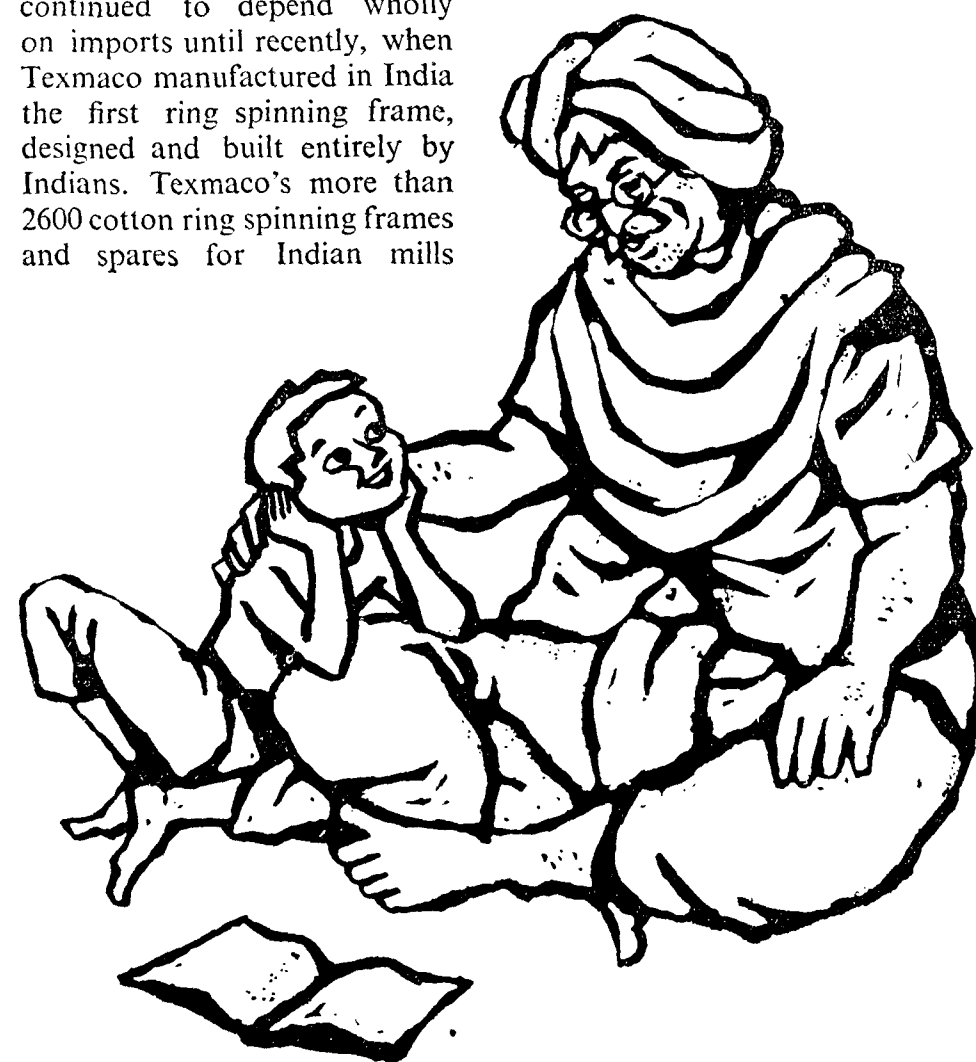
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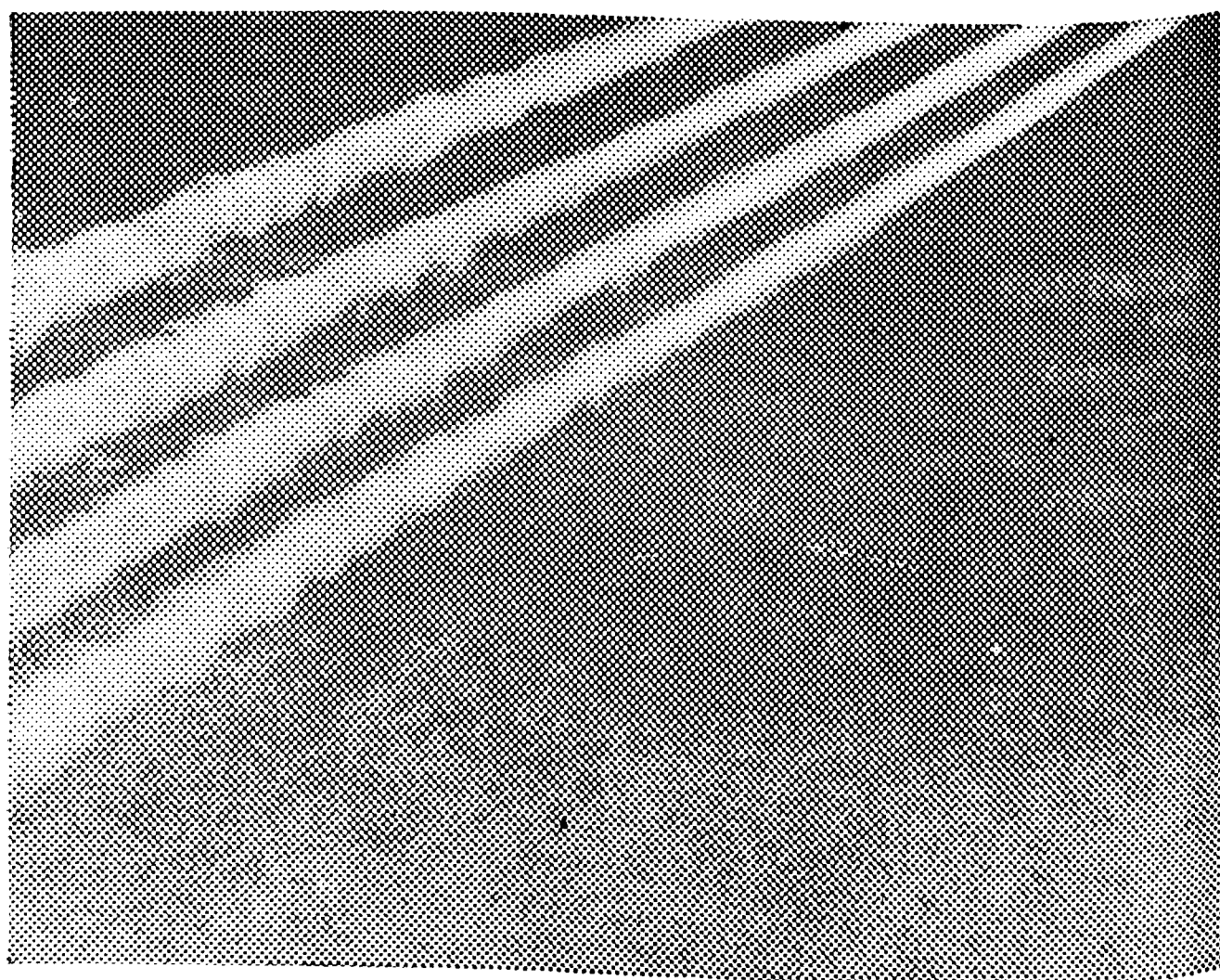
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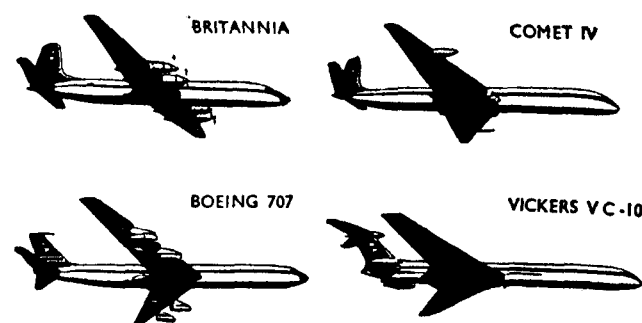


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BUSINESS NOTES

STATE LOANS

THE ANNOUNCEMENT of the issue of new loans by 10 State Governments (details of which appear elsewhere) has been quite expected. In fact, after the successful borrowing programme of the Central Government in May last, when cash subscriptions alone totalled Rs. 134.40 crores, it was quite on the cards that the money market will be able to take the State Government loans also well in its stride. With decline in the advances consequent on the slack season and a plethora of new resources, the banks have been just itching to put their funds to profitable use. It has also been known that the contribution of entities like the Life Insurance Corporation and Provident Funds to the Central loan were not considerable because they had an eye on the State Government loans to be floated later. All these would, therefore, go to show that conditions in the money market have been quite propitious for the borrowing programme of the State Governments.

The total of the State Government loans would amount to Rs. 47.5 crores, but all the State Governments have reserved for themselves the right to retain subscriptions up to 10 per cent in excess of the notified sum. But the net sum raised by all the States will be considerably less in view of the fact that there are maturing loans on behalf of five States amounting to Rs. 8.5 crores. It can, however, be taken that the net receipts are likely to be of the order of Rs. 45 crores. The net borrowing of the Central Government in May last might amount to Rs. 123 crores, thus bringing the total borrowing this year so far to nearly Rs. 170 crores. This should be compared to the Rs. 213 crores realised during the first two years of the second Plan. During the remaining two years of the Plan, it can be safely hazarded there would not be any undue difficulty in netting in another Rs. 300 crores by way of loans which would mean that the target of Rs. 700 crores fixed for borrowing in the Plan will be almost fulfilled.

EXPORT OF SUGAR

THE COUNTRY is faced at present with acute foreign exchange shortage and one of the obvious ways to remedy the situation appears to be to export more so that more of foreign exchange could be earned. In this bid to boost exports, sugar has lately received special attention because there exist surplus stocks of factory sugar for which there is little domestic demand. Although no final decision has been arrived at, the Government's export policy in respect of this commodity is expected to be announced in the very near future. Delay in the announcement of the policy has been caused partly because no decision has been arrived at in regard to the agency that should handle the exports. Is it to be the State Trading Corporation, a Special Sugar Export Corporation or the Indian Sugar Mills Association. The proposal said to have been made by the Ministry of Food and Agriculture. The idea is that since the Ministry of Food and Agriculture looks after the sugar cane cultivation, sugar cane prices and also the sugar industry, it should also look after the exports.

Since the internal prices are so much higher as compared to world prices, the question arises whether the domestic consumer would pay more or the Government would subsidise exports meeting the loss from the general revenues. From the press reports, it appears that sugar factories may be asked, on a compulsory basis, to export 10 per cent of their current seasons production, that is about 200,000 tons out of a total

estimated output of 2,000,000 tons. With a view to meeting the loss in exports a small levy is likely to be imposed on sugar released for domestic consumption. The Indian Sugar Mills Association's reaction to this proposal does not seem to be favourable because it holds the view that consumer resistance will harden. The implication is that the subsidy should be met by tax relief so far as possible.

So far as the export of sugar through the State Trading Corporation is concerned the proposal does not seem to inspire confidence. Lack of experience and the uncertainties of the export trade in sugar seem to be the apparent reasons standing in its way. The insistence on the handling of exports through the Special Corporation, however, remains. This appears to be rather strange and unwise as the objections which apply to the State Trading Corporation would equally hold good, or probably with a greater force, in the case of the Special Corporation. This too would not have the experience of the export trade, with which the Indian Sugar Mills Association is so conversant. The maximum benefit would lie in entrusting exports to the Association subject to an understanding with the Government.

PROBLEMS OF PLASTICS MANUFACTURE

ADDRESSING THE Eleventh All-India Plastics Manufacturers' Conference recently in Bombay, Mr. Manubhai Shah, Union Minister for Industries, listed five objectives which the plastics industry should set before itself. These are: (1) Production of construction materials, industrial goods, components and accessories, (2) maximum self-sufficiency in tools and equipment, (3) establishment of manufacture of full range of raw materials, (4) maintenance of standards in raw materials and (5) building up of exports. These are really commendable objectives, but they are not easy of achievement, so long as certain obstacles, such as lack of adequate funds, woefully inadequate facilities, available for education in plastic technology etc. are not removed.

Although the industry has made phenomenal progress during the past decade — actual production has increased as much as ten-fold during the last ten years — the progress could have been even more, but for the handicaps listed above. In view of the difficult foreign exchange situation and the important position which the plastics industry occupies among our new export items, the Government should come to the assistance of the industry. Mr. Ambalal Kilachand, who presided over the Conference, referred to the difficulties of the industry and offered some sound suggestions in his address. He suggested, among other things, the putting of more technical personnel, wherever possible, to supervise the operations in order to improve the quality of the products, to augment technical service facilities to assist moulders, to educate the public on the use of plastics, and to concentrate more and more on the production of industrial goods in preference to others that could be made on smaller machines.

Another serious difficulty of the industry relates to the import of plastics machinery and equipment. Owing to the difficult foreign exchange position, the imports of these have been restricted drastically. The existing machines which have been in operation for many years have become obsolete and go out of order very frequently, a situation which needs to be corrected as early as possible. In this connection, the suggestion of Mr. Garware that 'ad hoc' licences be granted annually to established manufacturers covering approxi-

mately 5 per cent to 10 per cent of the cost of the plant and equipment, deserves the earnest consideration of the authorities.

AN OFFICIAL VIEW OF THE COMPANY LAW

ADDRESSING THE Company Law Association of India, Bombay, Mr. D. L. Mazumdar, Secretary, Department of Company Law Administration, expatiated on how the Company Law in its latest amended form conforms to the Socialistic Pattern of Society accepted by the Parliament of this country. "The new Company Law is nothing but an attempt at industry and business planning for the corporate sector to be applied to the private sector. We expected industry and trade to work the provisions of the Company Law in collaboration with the agencies set up by the Government to work these measures. There is nothing basically novel or wrong about it. It is a co-operative effort, a method of industry-cum-business planning. Nothing in it runs contrary to the spirit of corporate law in this country or in any other country of the world, not excluding that stronghold of private enterprise, the U.S."

Mr. Mazumdar was all the time trying to explain the philosophy underlying the law rather than its working. But, when questions were asked about his impressions of the working of the Law in the past two years, he said that it had only been possible to build up an office of records, whereas, in the old days, this was not so and it was difficult to enforce the law even if one failed to submit periodical returns. Secondly, he said, a standard of pattern was emerging in so far as the managerial structure of company administration was concerned. "Out of the chaos of the past, some order has at last begun to emerge," he remarked. Mr. Mazumdar also disclosed that there had not been any resistance even to such stiff provisions as those regarding methods of remuneration, etc. But he conceded that the Law had not been readily accepted as such. Although people did not break the letter of the Law, they violated the spirit of it and, in a court of equity, he opined, this would be an improper thing to do. But he hoped that, in due course, everyone would fall in line with the spirit of the new legislation.

One admission made by Mr. Mazumdar is most revealing. He stated that he did not have the competent staff to take up the work of compiling comparative laws in other countries, but he agreed that it would be a very desirable thing to do.

HINDUSTAN MACHINE TOOLS

THE ANNUAL REPORT of the Hindustan Machine Tools Ltd., for 1957-58 depicts an all-round progress attained by the Company. During the year under review, it is heartening to note that the net profits were over Rs. 30 lakhs, which represent a five-fold increase over the previous year and a 5½ per cent return on the share capital of the Company. Considering that in the initial stages, profits are usually not possible or they are marginal, it goes to the credit of the Hindustan Machine Tools to have attained this success. It is also expected to achieve saving in foreign exchange of the order of Rs. 2 crores.

In the production sphere, the factory has achieved a record output. By introducing multiple shift work, the original plan target of 400 machines a year has been attained three years ahead of schedule. The number of machines produced was 402 as against 135 in the previous year. The current rate of production runs at 600 machines per year. There has also been a consequent reduction in the cost of production. A considerable reduction in sale prices of lathes has also been made effective. It is significant to note that the sale price of 1,000 mm lathe has been brought down from

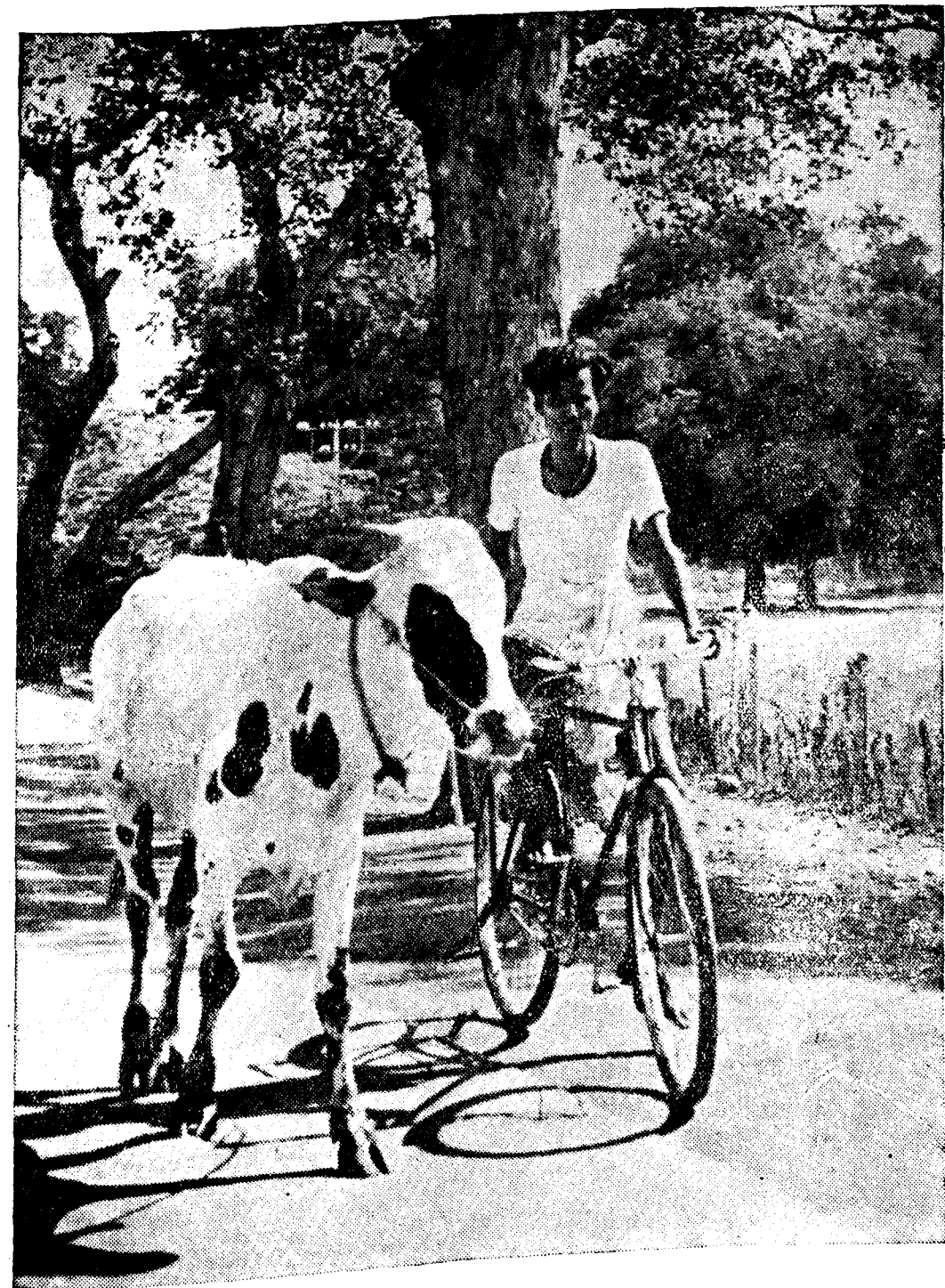
Rs. 39,000 to Rs. 29,500 as against the landed cost of Rs. 40,500 for imported machines of equivalent quality. So far as diversification of production programme is concerned, this too is progressing smoothly. The factory has entered into an agreement with a West German firm of Messrs. Herman Koch of Koeln for manufacture of ten types of radial drills, which are expected to be in the market by the end of the year. A feature of the agreement is that it does not involve payment of recurring royalties.

In regard to the welfare of labour, the Company has an equally credit-worthy record. The entire wage structure has been rationalised and the minimum wage has been increased by 50 per cent. A new tone has been set in industrial relations by introducing workers participation in management whose success will influence the Government's further programme in this direction. For the enterprising workers, a scheme for establishing ancillary units in collaboration with the National Small Industries Corporation has been sponsored. It will help those who wish to work small industrial units of their own. Encouragement to enterprising workers will be given by supply of machines on hire-purchase basis, floor space, water, raw materials and technical advice.

TROUBLES OF TEXTILE INDUSTRY

PERHAPS NO other industry has suffered, and is still suffering, as severely as the cotton textile industry, thanks to the Government's frequent fiscal innovations. Even a cursory glance at the recently released company reports of textile mills reveals how mill after mill has been showing reduced profits as a result of adverse trading conditions. Speaking at the annual general meeting of the Svadeshi Mills Co. Ltd., Mr. N. H. Tata, Chairman of the Company, drew pointed attention to these disappointing trends in the textile industry and attributed these to the 'steep increase in excise duty from September, 1956' which, he said, started a sort of chain reaction in the cloth markets. Continuing, Mr. Tata said, "Throughout 1957, the cloth trade was completely demoralised, sales were at unremunerative levels, stocks movements were restricted and even stocks sold could only move slowly on payment of heavy rebates to buyers. In December, 1957, Government gave partial relief by reducing slightly the excise duty on medium cloth. At the same time, the various sales taxes imposed by Union and State Governments were abolished, but in their place, uniform additional excise duties were levied on various types of cloth. Actually these extra excise duties will impose an additional burden, since Government will collect approximately Rs. 4 crores more per year than what they are likely to lose by way of sales tax."

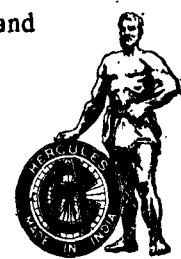
Turning to exports, Mr. Tata observed that India was being very rapidly pushed out of international markets, with the increasing competition from abroad, more particularly from Japan, whose ascendancy has been formidable. In these circumstances, the only solution to increase our exports is, as Mr. Tata said, to improve the methods of production by rationalisation and by reducing costs. The restrictive import policy of the Government of India, which has prevented the industry from importing up-to-date finishing and processing plants owing to foreign exchange shortage, has prevented considerably the industry from improving the quality of cloth, required by the export market particularly. In short, the difficulties of the textile industry are too deep-seated to respond to half-hearted palliatives, which means that it behoves the high power committee appointed by the Government to examine the present conditions of the textile industry not only to suggest interim measures to tide over the immediate crisis but also long-term remedies to restore the stability of the largest industry in this country.



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4¹/₄ 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
		1971	Rs. 99.75
(3) Kerala	Rs. 300 lakhs	1970	Rs. 99.00
(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 up to ten per cent in excess of the notified amount.

All the above loans will be repaid at par on 15th July, 1970 except the 4¹/₄ 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 up to 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.

COMPANY AFFAIRS

DUNCAN GROUP OF TEA COMPANIES

The working results declared by four companies for the year ended December 31, 1957, show that it was not a good year for tea industry. In the case of all these four companies belong to the Duncan Group, the crop was damaged by pests and blight. It is also reported that weather conditions also were unfavourable. Other factors for these discouraging results were the rising labour costs, higher prices of foodstuffs sold to labour at concessionary rates and increased expenditure on measures to combat pests and blight. Of the four companies, three have shown actual losses whereas one of these has shown slight profit. The expectation of crop for the next season is higher in all the four companies. During the year under review the crop was comparatively lower than the previous year.

THE RUNGLEE RUNGLIOT TEA COMPANY

In spite of the unfavourable conditions the company has declared a profit of Rs. 31,512. It is, however, very low when compared to the last year's profit of Rs. 1,00,045. A sum of Rs. 7,924 was provided as depreciation. The sale proceeds during the year under review were Rs. 4,35,130 against Rs. 4,34,279 during the previous year. The stock valued at Rs. 97,327 was lower than that during the previous year at Rs. 2,05,321.

The directors have recommended a dividend of 25 per cent on 1,400 shares of Rs. 100 each. A sum of Rs. 10,362 has been decided to be carried forward to the next year.

PHASKOWA TEA COMPANY

The Company has shown a loss of Rs. 27,149 against a profit of Rs. 54,028 during the year ended December 31, 1956. The sale proceeds were higher at Rs. 1,71,431 against Rs. 1,66,715 during the last year. The stocks were valued at Rs. 2,10,660 and Rs. 2,59,382 respectively.

A sum of Rs. 13,386 was provided as depreciation against Rs. 14,190 during the previous year. After taking into account a sum of Rs. 15,000 transferred from Revenue Reserve, there is a balance at credit amounting to Rs. 6,226. Rs. 5,000 have been transferred to Development Reserve, leaving Rs. 1,226 to be carried forward.

POOBONG TEA COMPANY

The working results of the company show a loss of Rs. 1,85,120 against a loss of Rs. 1,47,845 reported during the previous year. On transfer of this sum to Profit and Loss Account and after sundry adjustments, including the transfer of Rs. 96,181 from Depreciation Reserve, Rs. 55,000 from Revenue Reserve and Rs. 23,386 from Building and Machinery Reserve, there is a balance at credit of the Profit and Loss Account amounting to Rs. 3,694 which is proposed to be carried forward.

KUNCHUNPORE TEA CO.

The audited accounts of the Company reveal a loss of Rs. 1,59,349 against a loss of Rs. 5,344 recorded during the year ended December 31, 1956. The sale proceeds were at Rs. 1,95,701 against Rs. 1,98,872 during the previous year. The stocks were valued at Rs. Rs. 2,10,870 and Rs. 2,23,340 respectively during the two years.

The loss during the year was transferred to Profit and Loss Account and after sundry adjustments, including the transfer of Rs. 35,000 from Revenue Reserve, Rs. 72,597 from Depreciation Reserve and Rs. 46,794 from Buildings and Machinery Reserve, there is a balance at credit of the Profit and Loss Account amounting to Rs. 1,081, which is proposed to be carried forward.

REWA COALFIELDS LIMITED

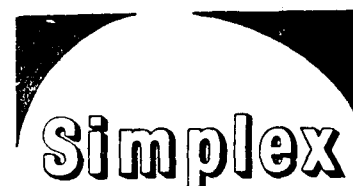
The balance sheet and profit and loss accounts of the Company for the year ended December 31, 1957

show that the working of the Company was maintained at the previous year's level in many respects. The profit stood at Rs. 4,68,833 against Rs. 4,95,073 during the previous year. The provision for depreciation was Rs. 1,82,577 and that for taxation was Rs. 1,59,975 against this the provisions were Rs. 1,85,923 and Rs. 2,18,293 respectively during the previous year. A sum of Rs. 1,00,000 has been transferred from general reserve. A sum of Rs. 1,87,097 has been provided for Labour Appellate Tribunal Award, and Rs. 1,00,000 has been transferred to reserve for contingencies. The directors have recommended a dividend at the rate of 10 per cent. A sum of Rs. 25,549 has been decided to be carried forward.

Output and despatches of steam and other grades of coal during the last three years was as follows:

	Raisings	Despatches
	Tons	Tons
1955	3,48,422	3,49,447
1956	3,85,218	3,87,940
1957	3,73,388	3,73,679

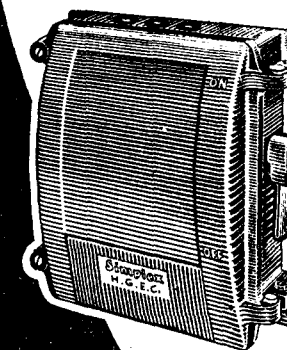
There was an acute shortage of wagons which greatly affected the working of the collieries and resulted in ground stock of 10,000 tons at the close of the year.



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World Oil Production in 1957 and 1956

RATE OF GROWTH OF OIL PRODUCTION BY MAIN AREAS

	(Per cent)						
	U.S.A.	Caribbean	Middle East	East Indies	U.S.S.R.	Canada	World
Average Annual Rate 1946 - 58	+4	+9	+16	+32	+14	+34	+8
1957 over 1956:							
Year	—	+12	+3	+11	+19	+6	+5
Jan./June	+4	+21	-14	+12	+19	+21	+5
July/Dec.	-4	+4	+20	+12	+19	-7	+5

Source: Commonwealth Survey.

Consolidated Budgetary Position of States

(Crores of Rupees)

	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58	1957-58	1958-59
	(Revised)	(Budget)	(Budget)	(Revised)	(Budget)	(Budget)	(Revised)	(Budget)	(Budget)
I. REVENUE ACCOUNT									
Revenue	405.4	420.1	453.7	500.3	560.1	577.0	630.9	691.3	742.1
Expenditure	392.7	417.0	448.2	511.8	626.4	654.4	717.5	697.2	745.8
Surplus (+) or Deficit (-)	+12.7	+3.1	+5.5	-11.5	-66.3	-77.4	-86.6	-5.9	-3.7
II. CAPITAL ACCOUNT									
Receipts	163.6	166.3	173.7	234.9	385.8	469.7	436.5	428.7	428.8
Disbursements	188.7	150.4	176.3	212.5	369.8	454.1	437.4	444.8	436.0
Surplus (+) or Deficit (-)	-25.1	+15.9	-2.6	+22.4	+16.0	+15.6	-0.9	-16.1	-7.2
III. MISCELLANEOUS (net)*									
	+1.6	-8.4	-4.9	+3.0	-0.8	+0.9	+1.8	-3.3	-3.6
IV. INCREASE (+) or DECREASE (-) IN CASH BALANCES†									
	-10.8	+10.6	-2.0	+13.9	-51.1	-60.9	-85.7	-25.4	-14.5
a) Opening Balance	61.5	50.7	49.3	78.2	92.1	41.0	26.5	23.9	-1.5
b) Closing Balance	50.7	61.3	47.3	92.1	41.0	-19.9	-59.2	-1.5	-16.0
V. PURCHASE (+) OR SALE (-) OF SECURITIES									
	-28.6	-25.4	+20.9	+28.3	-5.9	-43.8	-25.5	-18.3	-27.2
VI. OVERALL SURPLUS (+) OR DEFICIT (-) (IV+V)									
	-39.4	-14.8	+18.9	+42.2	-57.0	-104.7	-111.2	-43.7	-41.7

Note: (1) The figures for the years 1951-52 to 1953-54 do not include Part C States (Viz., Ajmer, Bhopal, Coorg, Delhi, Himachal Pradesh and Vindhya Pradesh) since they had capital budgets only from 1954-55.
 (2) For 1953-54 the budget estimates of the composite State of Madras have been used and hence the opening and closing balances for the year do not tally with the closing balance for 1952-53 and the opening balance for 1954-55.
 (3) For 1955-56 and 1956-57 revised and budget estimates respectively are used since later figures are not available.
 (4) The figures of purchase and sale of securities up to 1956-57 relate to Part A and Part B States.
 (5) Budget estimates for 1958-59 are after tax changes except in the case of Bombay, Kerala and Punjab, and relate to the reorganised States which exclude Delhi and Himachal Pradesh which are now Union Territories and include Kutch which is now part of Bombay State.

* Consist of remittances.
 † Including overdraft.

Source: Reserve Bank of India Bulletin.

Industrial Capacity and Production in 1956 and 1957

TIMBER AND CELLULOSE INDUSTRIES

Name of Industry	No. of Units	1956		1957		
		Installed Capacity	Actual Production	No. of Units	Installed Capacity	Actual Production
RAYON						
1. Continuous Filament Viscose Rayon Yarn (Tons)	2	8,160	7,276	3	12,800	9,403 a1
2. Continuous Filament Acetate Rayon Yarn (Tons)	1	1,800	1,414	1	1,800	1,606 a2
3. Viscose Staple Fibre (Tons)	1	5,400	7,906	1	14,400	8,009 a3
PAPER AND PAPER BOARD						
4. Printing and Writing paper)			123,010			126,514 a4
5. Kraft Paper)			17,802			23,756 a4
6. Other Wrapping Paper) Tons	21	211,900	13,115	19	250,000	14,257 a4
7. Miscellaneous Varieties)			5,761			7,196 a4
8. Pulp and Paper Boards)			33,712			38,402 a4
9. Newsprint (Tons)	21	211,900	193,400	19	250,000	210,125 a4
Total (Tons)	1	30,000	10,792	1	30,000	14,515
TIMBER						
10. Battery Separators (Wooden) (Nos.)	3	20,000,000	8,958,350	3	20,000,000	4,565,537 a5
11. Cork	2	Variable	511,300	2	1,200,000	638,078
(i) Stoppers (Gross)	—	—	1,908,000	—	3,000,000	2,425,700
(ii) Discs (Gross)	—	—	—	—	—	—
12. Plywood	65	150.6 (Million)	98,326,340	67	Over 150 M. sq. ft.	94,490,522 ‡
(i) Tea Chest (Sq. Ft.)	—	—	25,831,454	—	—	31,404,283 ‡
(ii) Commercial (Sq. Ft.)	—	—	—	—	—	—
13. Matches (Cases of 50 gross Boxes of 60 sticks each)*	—	—	615,629*	—	—	577,934

Brief explanations for appreciable fall or rise:

- One more unit has come into production.
- Better Operational efficiency.
- Due to increase in Capacity there is rise in production.
- Two units defunct for a long time have been removed from the list. However, there is increase in capacity expansion schemes materialised.
- Battery manufacturers switching over to the use of synthetic separators.

‡ Provisional.

* Being re-assessed.

important of all—finance. The objective analysis of the progress and production programmes of different chemicals which follows in the succeeding articles deals with specific raw material and other issues of individual chemicals and fertilizers. Supply of sulphur which is a base material typically represents the difficulties confronting the execution of related programmes. Production of sulphur from pyrites offers an effective solution. But before it is accepted finally as a source the extent of pyrite deposits in Bihar will have to be ascertained. It will inevitably influence decisions on manufacturing processes and also to some extent on plant. Freight rates and availability of tank wagons in particular for liquid chemicals have tended to perpetuate the difficulties of transport. But in the current context, finance in rupee as well as foreign currencies presents a for-

midable problem. The outlay on chemicals that will be required is estimated to be raised from Rs. 26 crores at the end of the first Plan to Rs. 126 crores in the second Plan. The rupee finance will have to be raised by way of loans on a greater scale than is the case for several other industries since internal resources are kept at a low level owing to the low rate of net profits. The foreign exchange required forms a substantial part of the outlay as the approved projects are highly import-intensive. It is problematic, in the current situation, whether foreign exchange of the order originally contemplated in the Plan will be provided. This is obvious from the official assurance that the requirements of the industry would be kept under review. A wiser course is to fix the order of priorities in the programmes.

The Growth Pattern of the Chemical Industry

CHEMICAL products such as nitre, alum, lime, salt-petre etc. were produced in India even in the ancient times, though by crude processes. The first chemical factory was set up in Calcutta more than a century ago by Messrs. D. Waldie & Co. The Bengal Chemical and Pharmaceutical Works was established in Calcutta in 1901. Bombay, on the other hand, did not have its first chemical works till 1913. The base of this industry, therefore, was a very small one at the beginning of World War I.

It was only during World War I that the modern chemical industry got an opportunity to widen its base. During the war period, the total output of chemicals, though at a very low level as compared with the current standards, almost trebled its size. After the first War, the industry received a jolt and production started falling.

On the eve of World War II, the chemical industry—especially the heavy chemicals—was still in an “infant” stage. Sulphuric acid, and some other derivatives, such as copper sulphate, ferrous sulphate, alum etc. was all that was being produced. In 1939, the total output of sulphuric acid was less than 30,000 tons. This was indeed far below the actual demand in the country. It received a fillip during World War II and total output reached 60,000 tons in 1946. Sulphate of ammonia also registered a rise in production, though not in the same proportion as sulphuric acid. It increased to 22,500 tons in 1946 as against 19,700 tons in 1939.

Rapid progress, however, started only after Independence. The level of annual production of sulphuric acid was 60,000 tons and of sulphate of ammonia at 22.5 thousand tons in 1947. When the first Five-Year Plan was initiated, production of sulphuric acid exceeded 100,000 tons. Similarly, production of sulphate of ammonia had also more than doubled in 1951 as compared with 1947. Considerable spurt in production was received by the chemical industry during the first Plan. Sulphuric acid almost doubled, while the sulphate of ammonia rose by 700 per cent. This fact is brought out very clearly in Table I alongside.

The targets for sulphuric acid and ammonium sulphate have been pitched particularly high for 1960-61. It is estimated that by the end of the second Plan, total output of sulphuric acid will be around 470,000 tons, almost 2½ times the current output. The target for ammonium sulphate at 1,450,000 tons in 1960-61 amounts to quadrupling the current output.

In Table II is set out the pattern of production of not only sulphuric acid but also of caustic soda, soda ash, liquid chlorine, bleaching powder, bichromates, superphosphates etc. in the period 1946-1957. It shows that the rates of growth of the major chemicals have not been uniform. Between 1946 and 1957, the

output of bleaching powder rose by 2½ times, of sulphuric acid by 3 times, of soda ash by 7 times, of chlorine by 10 times, of caustic soda by 14 times, of ammonium sulphate by 16 times and of superphosphates by more than 30 times. The Planning Commission has fixed targets for 1960-61 in the case of ammonium sulphate, soda ash, caustic soda and sulphuric acid. The pruning of the Plan should not affect as far as possible the projects in the chemical industry, both in the public and private sectors in view of the key role played by fertilisers in the production of food grains.

That the consumption of chemicals in per capita terms is very small in the Indian Union can be seen from the table below which shows that the consumption of sulphuric acid, soda ash and chlorine bears no comparison to that of consumption in the USA. It pinpoints the need for broadbasing the industry at a faster rate.

PER CAPITA CONSUMPTION OF CHEMICALS

	1955	India	USA
		(In lbs.)	
Sulphuric Acid	..	1.0	214.0
Soda Ash	..	0.46	66.0
Chlorine	..	0.075	46.0

The chemical industry is a key industry because its products are utilised in many other industries such

TABLE I.

Period	Sulphuric Acid (Thousand Tons)	Sulphate of Ammonia (Thousand Tons)
1932-33	.. 24.2	3.4
1933-34	.. 24.0	10.0
1934-35	.. 26.5	14.3
1935-36	.. 27.8	17.9
1938	.. 24.2	14.5
1939	.. 29.3	19.7
1940	.. 36.5	25.4
1941	.. 43.7	29.8
1942	.. 39.2	27.3
1943	.. 43.2	21.7
1944	.. 40.2	23.5
1945	.. 36.7	22.0
1946	.. 60.0	22.5
1947	.. 60.0	21.3
1948	.. 80.0	35.2
1949	.. 99.5	46.0
1950	.. 102.5	47.5
1951	.. 106.9	52.6
1952	.. 96.1	220.3
1953	.. 108.1	319.6
1954	.. 150.9	340.2
1955	.. 166.2	393.1
1956	.. 165.4	339.0
1957 (Estimated)	183.1	359.7
1960-61 (Target)	470.0	1,450.0

as the textile industry, the leather industry, the paper industry, the glass industry, and so on. The key product in the long list of chemicals is sulphuric acid.

The chemical works which specialise in the production of sulphuric acid suffer from a serious defect which emanates from the smallness of the units. This fact needs to be illustrated. In 1957 the combined output of more than 40 units in India totalled 1,88,107 tons. But in the UK and the USA there are units each of which produces more than that volume of acid in a year. This small-scale operation in the sulphuric acid producing units results in raising the cost, particularly on labour and maintenance of plants which ultimately results in retarding the growth of the industry. Another factor which needs to be mentioned is the dependence of the Indian Union on imports of elemental sulphur

for producing sulphuric acid. This dependence no doubt is unfortunate and attempts are being made to determine the feasibility of utilising other products such as pyrite and gypsum which are available within the country.

The major need is to accelerate the production of sulphuric acid by encouraging production on a large scale, because it is the basic chemical for the production of a majority of the other chemicals needed by various industries. The demand for these chemicals is growing at a very fast because of the speed with which the industrial base is being widened. A rise of 50 per cent in over-all industrial production in the second Plan will necessarily demand no less than 400 per cent rise in the output of all the major chemical industries taken together.

TABLE II.

PROGRESS ACHIEVED IN ACTUAL PRODUCTION OF IMPORTANT CHEMICALS IN INDIA

Year (Jan.-Dec.)	Sulphuric Acid (Tons)	Caustic Soda (Tons)	Soda Ash (Tons)	Liquid Chlorine (Tons)	Bleaching Powder (Tons)	Bichro- mates (Tons)	Superphos- phates (Tons)	Ammonium Sulphate (Tons)	Copper Sulphate (Tons)
1946	.. 60,000	2,904	12,000	1,500	2,004	2,076	4,500	22,464	..
1947	.. 60,000	3,312	13,620	1,704	2,556	2,304	5,004	21,276	..
1948	.. 80,004	4,380	29,148	1,800	2,832	2,940	21,360	35,208	432
1949	.. 99,456	6,300	17,916	2,652	2,472	1,716	46,728	45,956	456
1950	.. 1,02,480	10,848	43,788	3,972	3,312	1,980	52,428	47,504	432
1951	.. 1,06,932	14,724	47,532	5,268	3,588	3,276	61,020	52,604	504
1952	.. 96,084	17,064	44,328	6,240	792	1,464	46,656	2,20,308	336
1953	.. 1,08,092	22,908	56,868	8,136	1,944	2,508	48,300	3,19,620	516
1954	.. 1,50,876	29,304	48,288	9,780	2,928	3,240	1,05,060	3,40,224	840
1955	.. 1,66,200	34,248	77,268	11,580	2,700	2,928	74,160	3,93,096	1,044
1956	.. 1,65,408	39,420	84,240	15,072	4,656	3,264	81,168	3,88,992	1,980
1957 (Estimated)	1,88,107	42,036	90,956	17,704	5,375	3,635	1,40,212	3,59,652	1,673
1960-61 (Target)	470,000	135,000*	230,000*	—	—	—	—	14,50,000	—

* Represents gross production. A part of this is proposed to be utilised within the works for conversion to other products.

Sindri Sets the Tone

EVEN in its short career of over five years Sindri has set a powerful tone to the production of chemical fertilisers in this country. It is remarkable how rapidly our thinking on the utilisation of chemical fertilisers is proceeding. Any doubts and hesitations on the advisability of large-scale use of these fertilisers have been dispelled. It is now an accepted principle of policy to resort to the use of chemical fertilisers as an effective aid to intensive cultivation. The new role assigned to fertilisers is quite clear from the programme accepted for the second Five-Year Plan. Over 20 per cent of the additional food production amounting to 2.5 million tons is intended to be achieved through greater use of fertilisers and manures. It needs to be stressed further that the acreage under irrigation is expected to be increased by 19 million acres to 88 million acres in the present plan period. Maximum output can be achieved only if irrigation facilities so created are supplemented by large-scale utilisation of fertilisers. In view of this year's crop failure, a new phase has been reached in the policy for fertilisers. A bolder and more dynamic fertiliser policy is undoubtedly going to be adopted. The impetus which it will give to the production of fertilisers would throw added responsibility on Sindri as the leading producer.

Among the important developments which took place in Sindri Chemicals and Fertilisers during the first Five-Year Plan, mention ought to be made of at least

two. Sindri started the production of the iron oxide catalyst necessary in the manufacturing process for the production of hydrogen for ammonia synthesis. The second and outstanding step forward was the project of constructing a coke oven battery with a daily production capacity of 600 tons equipped with apparatus for the recovery of the by-products from the coke oven gas. The coke oven plant which was put into production in September 1954 has enabled the factory to obtain its own supplies of coke. Coke oven gases available at the rate of 10.0 million cubic feet per day as a by-product are being employed in raising the output of fertilisers as well as in diversifying it by starting the production of urea and ammonium sulphate-nitrate. The cost of the entire project when finally completed is estimated to reach Rs 11 crores. The contract for the supply and erection of the main plant and equipment has been awarded to Montecantini Mialan, an Italian firm, for Rs 7 crores which have been advanced as a loan by the Government to the Sindri Factory. The balance of Rs 4 crores is to be found out of its own resources to meet the outlay on ancillary works. This whole outlay will result in adding to Sindri's output 24,000 tons of urea and 148,000 tons of sulphate-nitrate (double salt) per annum. In terms of nitrogen content, the capacity of the factory will be raised by 60 per cent. These production programmes of the two fertilisers, possessing a higher nitrogen content than ammonium sulphate,

which is the main product now turned out, will be put into operation in the current year.

As the premier fertiliser producing unit, the Sindri Factory has a very creditable performance which gives reasonable assurance that the bold scale on which the industry is to be expanded is within the manageable resources of this country. During 1957 a new peak was reached in the production of ammonium sulphate at 331,833 tons which showed an increase of 1,833 tons above the previous year. The production of ammonia touched a new high at 95,089 tons in 1957. Sindri's contribution to agricultural production during this brief span has been massive. Its aggregate output until the end of the last calendar year has been of the order of more than 1.7 million tons which is equivalent to a saving in foreign exchange of Rs 57 crores. If it is argued that in the absence of domestic production on such a scale imports of an equivalent quantity would not necessarily have been brought, it is pertinent to highlight the long-term and potential contribution of Sindri to agriculture. By successive lowering down of sale price below the cost of imports, Sindri has placed fertilisers at a cheap price

within the reach of the Indian peasants. It is precisely because of this far-sighted policy that the use of fertilisers has gained such rapid popularity. Official estimates show that the additional food production which may be attributed to the utilisation of fertilisers produced in Sindri is over 3 million tons valued at Rs 83 crores.

The Sindri factory is easily a model for many public sector enterprises in management as also organisation. In the financial as well as technical spheres, it has achieved positive success which deserves genuine appreciation. During the financial year 1956-57 it earned a net profit of Rs 20.5 lakhs after making appropriate provisions on invested capital of the order of Rs 17 crores. A dividend of five per cent, adding up to a total of Rs 85 lakhs, was declared for the year. The entire amount of dividend was ploughed back for expansion. The engineering and technical staff of the factory is now manned by Indian nationals and, apart from training candidates for its own increasing requirements, Sindri is providing a training ground for other government enterprises. The industrial township is being run on an ideal scale.

Fertilisers Abroad

WHATEVER be the merits and demerits of chemical fertiliser in comparison with organic manure, there is no doubt each has its recognised place either in combination with the other or separately. This is broadly true of India although the western countries and Japan are vastly more fertiliser-minded. These latter countries account for nearly 50 per cent of the total world consumption of nitrogenous, phosphatic and potassium fertilisers in 1938 and nearly 70 per cent in 1955-56. These percentages are worked out from the following figures:

Quantity of Fertilisers Consumed
in thousand metric tons

Name of country	1938	1955-56
Belgium	225	321
France	821	1,591
West Germany	135	1,777
Italy	109	711
Japan	689	1,265
Netherlands	321	459
U.K.	305	999
U.S.A.	1,378	6,261
India	18	166
WORLD	8,400	19,600

It is well known that chemical fertilisers can be safely used only on irrigated or fairly watered lands. The proportion of such lands to all cultivated lands would vary from country to country and if that is known in relation to the use of fertilisers, it would be more appropriate. But, in the absence of ready comparable data for such lands in different countries, a rough-and-ready comparison could be instituted to bring out the relationship between the entire cultivated land area including irrigated and fairly watered lands and the total quantity of fertiliser used and to express it in terms of quantity used per average hectare. The appropriate figures are worked out and given in the table alongside.

It may be seen from the above figures that in a country like the United States where extensive farming is more in vogue, application of chemical fertilisers is not most intensive. At the same time it is also true that in that country the total use of fertilisers has increased from about 1.4 million metric tons in 1938 to

about 6.3 million tons in 1955-56. In the United Kingdom fertiliser consumption has trebled since 1939 and, in the same period, food production has increased by more than 50 per cent. Sir William Ogg, Director of the Rothamsted Experiment Station, has attributed much of that increase in production to the greater and more effective use of fertilisers. It is also noteworthy that but for the use of fertilisers on a larger scale in the United States there would have been no exportable surpluses in her agricultural production — surpluses which have come in so handy for the food-deficit countries under Public Law 480.

That per-acre productivity increases with the use of fertilisers is generally known. But the fact would also have to be recognised that in countries which use large quantities of fertilisers the yields are high. Two telling graphs are given on the next page. The first one brings out the broad correlation between fertiliser consumption and yield per acre of cereals in different countries. And the other brings out the direct relationship between hectare-yields of wheat and potato against fertilisers used per hectare, over a period of about 50 years. The latter graph clearly shows that the trend of fertiliser curve and the trend of yield curve are nearly parallel.

Name of country	Cultivated land area in '000 hectares	Fertiliser used per average hectare (In kilograms)
Belgium	997	322
France	21,284	75
West Germany	8,648	205
Italy	15,756	45
Japan	5,095	248
Netherlands	1,044	440
U.K.	7,099	141
U.S.A.	183,309	33
India	149,656	1.1
WORLD	1,370,000	16.5

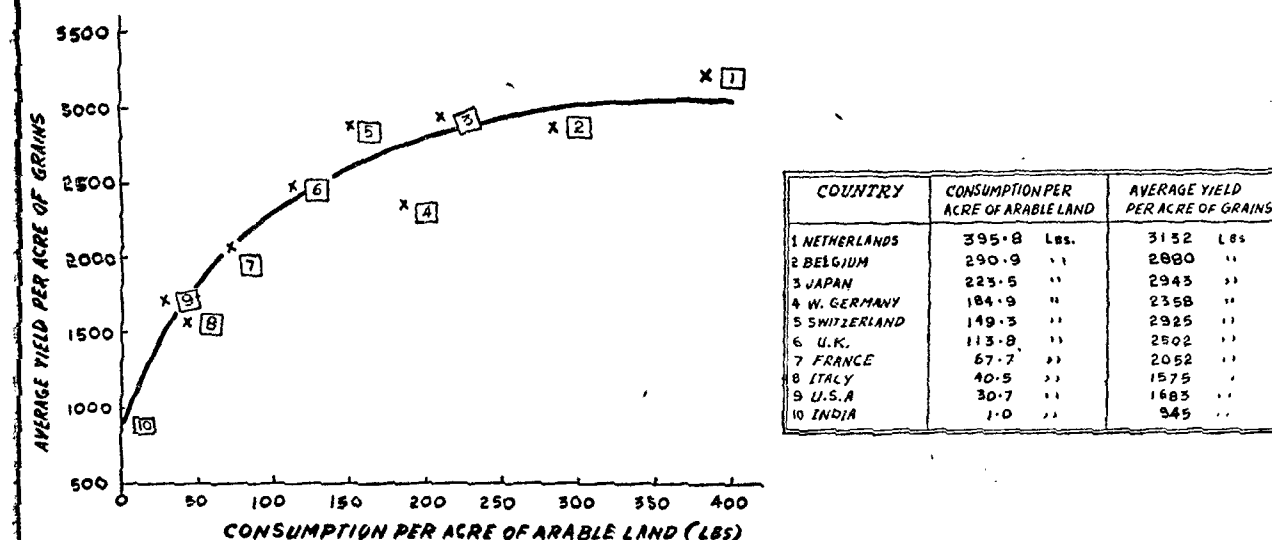
Similar yields could, of course, be obtained by using appropriate quantities of farmyard manure. But the difficulty here has always been that available farmyard manure is not adequate for all the cultivated lands in any country. Even in China where such manure is more fully utilised than in other countries, considerable night-soil and increasing quantities of chemical fertilisers are also being used to make up, to

some extent, for the inadequacy of animal excreta in relation to the total requirements of all cultivated lands. Again, Japan provides the outstanding example of a country which uses all available farmyard manure and all possible night-soil to boot and, over and above them, large quantities of chemical fertilisers. Broadly speaking, in the seven western countries and in Japan (for all of which fertiliser consumption figures are given in the beginning of this article) the inadequacy

of farmyard manure has necessarily meant fertiliser use on a large scale. If nitrogenous fertilisers alone are taken into account, these eight countries together account for nearly two-thirds of the total (excluding the USSR) consumption of 6.4 million metric tons as of 1955-56.

If these countries had, by any chance, set their face against the use of these fertilisers, that would have

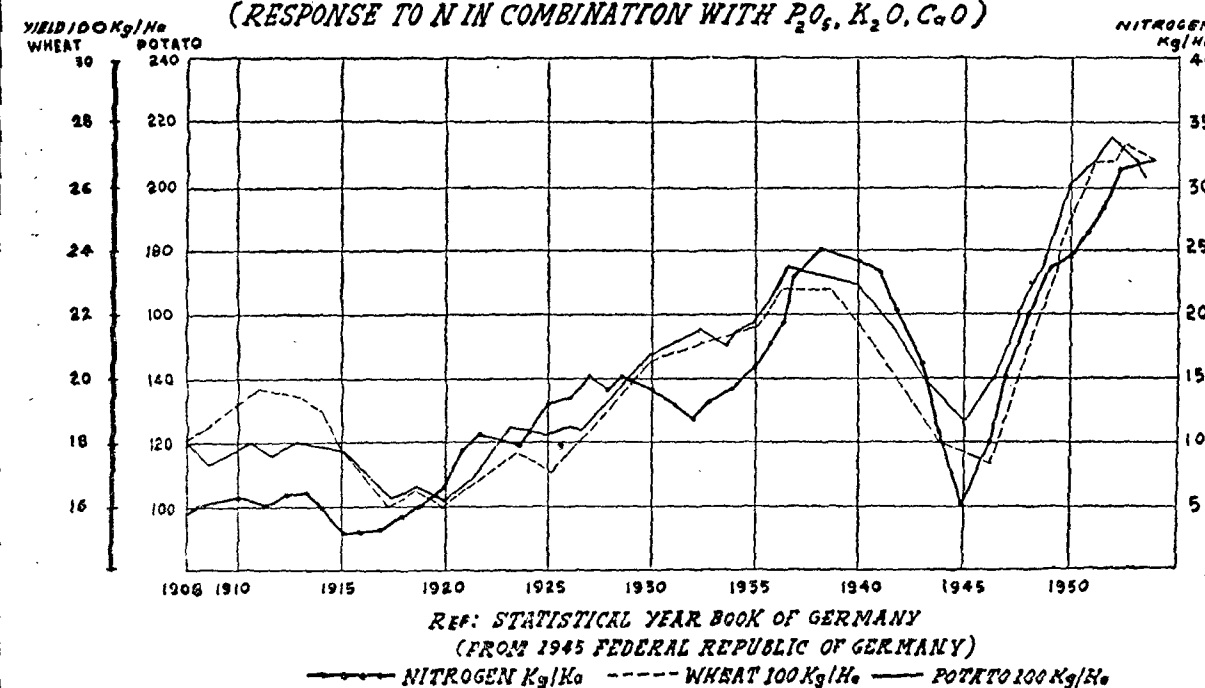
FERTILISER CONSUMPTION AND YIELD PER ACRE



NITROGEN CONSUMPTION AND YIELD PER HECTARE

IN GERMANY 1908-1954

(RESPONSE TO N IN COMBINATION WITH P_2O_5 , K_2O , CaO)



sulphur-using plants. Pyrite-using plants would involve 100 per cent more capital outlay than sulphur-using plants. The practicability and economics of pyrite-using plants are under consideration of the Government as well as private producers. Co-operation with Norway would be available for this purpose. But before a positive decision is taken in its favour, the extent of iron pyrites in the major areas of deposits situated in Bihar will have to be determined.

The sulphuric acid industry was assigned a modest programme of development in the first Five-Year Plan with the object of responding to the demands of fertiliser and rayon industries. The capacity target in the first Plan was fixed at 220,791 tons per year, but it was overfulfilled at the level of 240,000 tons. Particular mention needs to be made of the National Rayon Corporation's designing and fabrication of its plant of a daily capacity of 30 tons of acid in the country itself. As against the consumption of 160,000 tons at the end of the first Plan, consumption at the end of the second Plan is placed at 470,000 tons. The major demand will emanate from superphosphates—200,000 tons—and ammonium sulphate and phosphate—120,000 tons. Rayon and staple fibres come next with a requirement of 58,000 tons. Steel pickling, petroleum refining, industrial explosives, aluminium sulphate and other inorganic heavy chemicals constitute the majority of the residuary class. The target of installed capacity in the second Plan is fixed at 500,000 tons which implies that 95 per cent of the installed capacity will be used at the end of the plan period. Licences have been issued already for setting up five new schemes with a total capacity of 54,400 tons and expansion of seven existing units to raise capacity by 123,640 tons per annum. These schemes are in different stages of execution. More capacity will be installed as accompaniment to programmes of production of superphosphates, rayon and staple fibre.

SODA ASH

This infant industry gives good promise of a fast rate of growth. What is significant about its progress in recent years is the advance it is making on all fronts—in investment, organisation and diversification of products. In the first Five-Year Plan, the installed capacity of the two plants—those at Dhrangadhra and Mithapur—was intended to increase from 54,000 tons in 1951-52 to 86,000 tons in 1955-56. The target for output was placed at 78,000 tons. The position obtaining in 1955-56 shows that installed capacity was raised to 90,000 tons and output also exceeded the target set by a small margin.

Programmes of development in the second Five-Year Plan have been prepared in greater detail after taking into account particular requirements such as light ash and heavy ash for different industries. The total demand for soda ash is estimated to rise to 230,000 tons in 1960-61 out of which the major requirements will be glass and bangles 70,000 tons, laundries and dhobis 60,000 tons, caustic soda manufacture 40,000 tons and sodium silicate 18,000 tons. As against requirements of this order, the total installed capacity is to be increased to 253,000 tons per year. Out of this, 163,600 tons of additional capacity was sanctioned initially by licensing of expansion of capacity of one existing unit by 21,600 tons and the remaining 140,000 tons by setting up three new plants. This whole expansion is to take place in the private sector. The comparative picture at the end of the first Plan and the end of the second Plan reveals that the number of plants manufacturing soda ash will be increased from 2 to 5, annual installed capacity from 90,000 tons to 253,000 tons, production from 80,000 tons to 230,000 tons and output available for sale as soda ash from 75,000

tons to 185,000 tons. This comparison also shows the extent of progress which the industry will record.

The location of the five plants in the industry will answer the requirements of regional distribution well. A development of great significance is the removal of a vital gap in the industry—absence of production of heavy ash. Present production contains 40,000 tons of output of heavy ash which is estimated to rise to 76,000 tons a year by 1960-61. Each of the plants will have part of its capacity earmarked for the manufacture of heavy ash, while the Ramnagar plant situated in proximity with a glass works will be entirely devoted to its production. In respect of manufacture, the standard solvay process which has been tried over long years in other countries will be employed by most plants. The Ramnagar plant will adopt a modified standard solvay process to secure recovery of 120 tons per day of technical grade ammonium chloride—a useful fertiliser. The Porbandar plant will also partly adopt this process. The Tuticorin plant will produce soda ash by conversion of caustic soda and similar provision is made for part of the output at Porbandar. The Dhrangadhra unit which is far removed from the sea has succeeded in overcoming its problem of disposal of effluent waste by manufacturing commercial grade chloride from this waste. Its potentiality, however, depends upon the speed with which its consumption can be encouraged in certain industries.

CAUSTIC SODA

Like soda ash, caustic soda industry has registered fast progress. As against an installed capacity of 18,725 tons and actual production of 11,375 tons in 1950-57, the targets fixed for 1955-56 were of the order of 37,125 tons of capacity and 33,000 tons of output. These targets were exclusive of the capacity of 4,500 tons and production of 4,000 tons in 1951 in four ancillary plants set up as adjuncts to paper mills. It is noteworthy that programmes of expansion pushed up the pace of growth far above the schedule and in 1955 capacity was raised to 44,300 tons and output to 34,253 tons exclusive of the four plants attached to paper mills. This progress, measured in quantitative terms, however, ought not to be allowed to mislead the industry into a sense of complacency. It is frankly recognized that there is considerable room for improvement in quality. At present the indigenous product has a low sodium hydroxide content at 94 to 95 per cent as against 98 per cent in the imported product. Furthermore, the domestic product has a higher percentage of sodium chloride as impurity.

The programmes of expansion in the second Plan period have been pitched at a much higher level on the basis of the obvious spurt in demand. It is estimated that demand will rise in 1960-61 over 1955-56 by 66 per cent to 140,000 tons a year. Requirements of the rayon grade caustic soda of 98-99 per cent purity are expected to increase by 44,000 tons. To satisfy the demand of this growing order, licences have been issued to two units for additional capacity of 21,000 tons of manufacture by the chemical process, which, together with existing capacity of 6,800 tons, will raise total capacity to 27,800 tons. The bulk of the higher output is to be achieved by the electrolytic process and for this purpose additional capacity of 85,124 tons has been licensed for 10 units. Adding to it the existing capacity of 37,700 tons, total capacity under the electrolytic process will be pushed to 122,824 tons per annum. Aggregate capacity under both the processes will be 150,624 tons. This capacity, however, will fall short of actual requirements because, in the first place, the plants will operate normally to 90 per cent of capacity and in the next place, 28,800 tons of output of caustic soda, out of the total output of the Tuticorin plant, has been ear-

marked for conversion of soda ash. The quantity of caustic soda available for sale will be 106,800 tons against requirements of 140,000 tons.

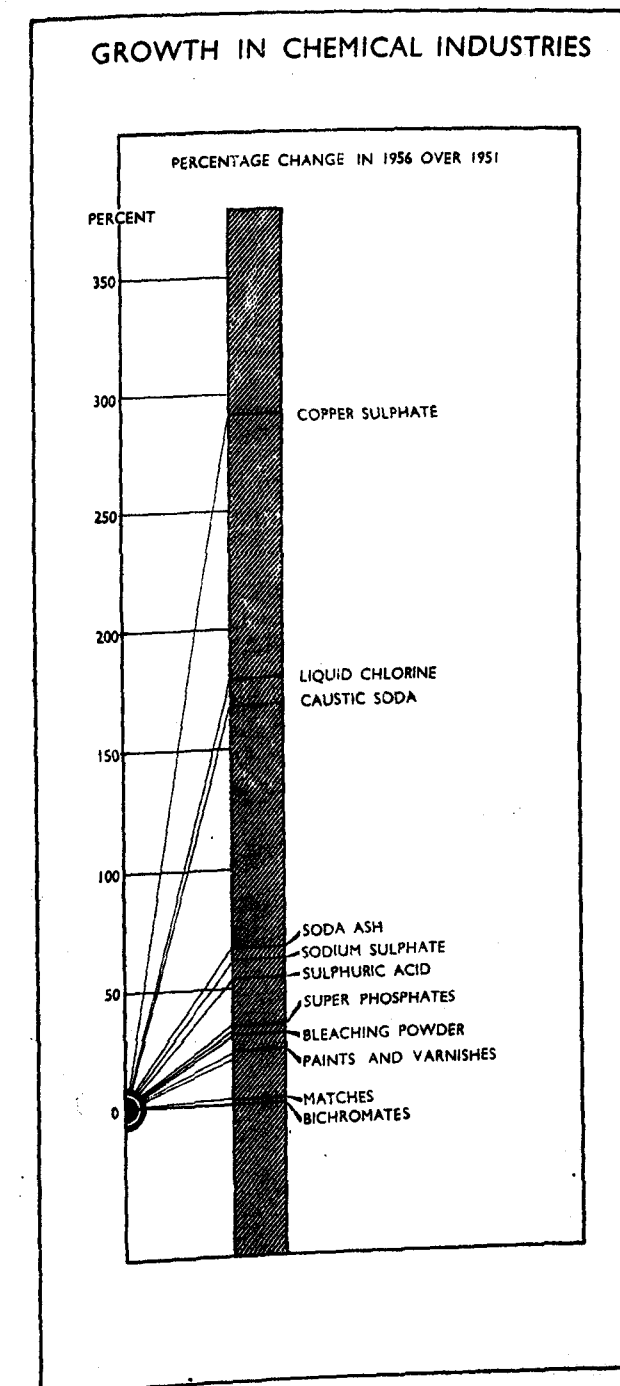
A decision will need to be taken on licensing of the further additional capacity of 36,000 tons that will be required. The weight of expert opinion tends to support the view that it should not be licensed under the electrolytic process because it will add to the difficulties of the existing tough problem of disposal of chlorine. This capacity may have to be allocated to chemical process plants and expanded production of caustic soda will have to be integrated with expansion of soda ash production by the standard solvay process. Certain improvements recorded by the caustic soda plants ought to be stressed in this fleeting survey. Production of rayon grade soda with a minimum purity of 98 per cent is proceeding apace. Licensing policy has ensured that about 80 per cent of licences issued must be conditional on adoption of mercury type cells which possess 50 per cent strength, 98 per cent purity and capacity to produce better quality products than those obtained by plants with diaphragm cells. It is, however, recognised that power supply, transport and lack of domestic manufacture of plants and components present difficulties which retard the rate of the industry's growth.

THE MISCELLANEOUS GROUP

A passing reference is necessary to some of the other chemicals for which programmes of higher production have been drawn up for the second Plan period. As against one calcium carbide plant of 3,000 tons of output capacity at the end of the first Plan, four plants of a total capacity of 26,200 tons are contemplated for 1960-61. More capacity may have to be provided only if additional demand is created as a result of acetylene being adopted as a basis in the production of any new organic chemicals. It is estimated that a total capacity of 5,000 tons a year would be enough to meet the requirements of sodium hydrosulphate placed at 4,000 tons by 1960-61. No licenses for more units are contemplated to be issued unless, of course, this capacity does not materialise. India will make a debut in the manufacture of carbon black during the present plan period. Output of 13,000 tons is considered enough to satisfy the requirements of the rubber industry, the main consumer, and other manufactures. The plant is to be set up with foreign collaboration and financial assistance from the National Industrial Development Corporation.

Pattern of Imports: 1947-1957

THE growth of the chemical industry can be better appreciated in the background of the pattern of imports and tariff protection policy. It may be mentioned that even in advanced countries, the chemical industry has been able to make headway only through protection. The Government of India had, therefore, recognised that without protection neither expansion nor establishment of new chemical industries was possible. Apart from protection, the Government had also resorted to judicious import control from time to time to foster the development of the indigenous chemical industry. However, the fact remains that the industry, which is still in its infancy, is unable to supply the growing demand for many chemicals now imported. Broadly, the trend has been to increase the production of heavy chemicals in the country and reduce imports of these as much as possible while in the case of other chemicals, imports have been allowed liberally to meet the demand. Thus, these latter have been showing a steady rise in volume as well as value primarily because of the demand for intermediate chemicals in the manufacturing processes of several industries. In the follow-



ing paragraphs, the position in respect of some of the important chemicals is reviewed. The table given below puts the whole picture with regard to imports in perspective.

Since sulphuric acid is the backbone of the chemical industry, its production has been continually on the rise since 1947 and at present, actual production is in the region of 1.5 lakh tons while the annual estimated capacity is 2 lakh tons. All the sulphuric acid produced at present is from imported sulphur and it is estimated that even in 1960-61, more than 95 per cent of the acid will still be from sulphur. Government have, therefore, found it necessary to explore alternative sources like pyrites and are working out comparative economics of making the acid from them. But the actual quantity of sulphuric acid imported have been very negligible ranging from about 80 cwts. in 1947-48 to 50 cwts. in 1955-56.

The production of soda ash has been showing steady progress. From about 12,000 tons in 1946, it has risen to an estimated 90,000 tons in 1957. The imports of

soda ash have, however, been erratic. From 1,62,593 tons in 1948-1949 they fell to 12,295 tons in 1949-50 and have been varying since. In 1954-55, they were about 94,400 tons and in 1955-56, 71,000 tons. In 1949, there was a big drop in production due to heavy imports and but for rigid control in imports of soda ash, the indigenous production would have been severely affected. Again in 1952, liberal imports allowed in that year made it difficult for the indigenous manufacturers to sell their goods in the market. But again Government stepped in and stopped further imports to save the industry. Without protection it would have been impossible for the industry to survive the fight with foreign ash. But even with the estimated production of 90,000 tons, there is a gap to be filled to meet estimated consumption of 155,000 tons and this has to be met by imports. The entire production of soda ash in the country is of the light variety and the imports have to be of heavy ash for glass and bichromate manufacture. Ultimately, therefore, it would be necessary to make this variety of soda ash also in the country to make it self-sufficient.

The amount of caustic soda made at present in India is not sufficient to meet demand. Though production has been steadily rising with an estimated 82,000 tons in 1957, imports have to continue to meet rising consumption. As in the case of soda ash imports have been fluctuating varying from about 90,000 tons in 1948-49 to 13,000 tons in 1949-50, 21,950 tons in 1950-51, 62,700 tons in 1951-52, 25,550 tons in 1952-53, and 59,700 tons in 1955-56.

TABLE SHOWING THE POSITION WITH REGARD TO IMPORTS OF SOME IMPORTANT CHEMICALS (1947-57)

Items	1947-48		1948-49		1949-50		1950-51	
	Quantity	Value (Rs.)	Quantity	Value (Rs.)	Quantity	Value (Rs.)	Quantity	Value (Rs.)
1. Sulphuric Acid (Cwts.)	81	13,128	104	8,668	464	30,929	123	14,420
2. Caustic Soda (Cwts.)	424,621	1,11,83,854	1,831,769	7,65,03,669	259,827	59,52,512	439,820	1,00,54,224
3. Chlorine Liquid (lbs.)	—	—	—	—	38,014	12,742	48,288	8,378
4. Bleaching Powder (Cwts.)	167,344	22,87,454	230,410	39,02,790	110,264	19,50,026	112,662	20,86,160
5. Ammonia & salts thereof:								
(a) Anhydrous Ammonia (Cwts.)	4,307	6,03,201	2,115	3,45,322	2,033	3,33,609	1,867	2,88,137
(b) Carbonate & bicarbonate of ammonia (Cwts.)	9,822	5,40,025	18,633	6,43,035	11,470	4,67,765	10,313	4,36,457
6. Sodium Bichromate (Cwts.)	—	54	400	6,506	40	1,605	—	71
7. Sodium ash (Cwts.)	1,358,968	1,32,74,958	3,251,872	5,31,89,007	245,903	28,11,586	596,338	65,88,672
8. Other sorts of chemicals (Value)	—	2,94,51,351	—	3,17,40,527	—	3,03,28,813	—	3,14,27,392
9. Total of chemicals (Value)	—	9,25,62,367	—	20,54,87,52	—	7,67,63,795	—	9,10,78,537
Items	1952-53		1954-55		1955-56		Six months ended June 1957	
	Quantity	Value (Rs.)	Quantity	Value (Rs.)	Quantity	Value (Rs.)	Quantity	Value (Rs.)
1. Sulphuric Acid (Cwts.)	124	21,075	125	19,900	50	10,988	—	—
2. Caustic Soda (Cwts.)	—	—	—	—	—	—	—	—
Total	510,860	1,45,64,950	987,104	3,04,53,682	1,194,269	3,51,79,235	—	2,40,51,537
3. Chlorine Liquid (lbs.)	—	—	—	—	—	—	—	—
4. Bleaching Powder (Cwts.)	54,978	14,02,249	102,672	27,13,659	97,993	33,76,381	25,374	9,53,241
5. Ammonia & salts thereof:								
(a) Anhydrous Ammonia (Cwts.)	1,960	1,44,242	1,159	1,86,665	2,216	6,01,416	—	—
(b) Carbonate & bicarbonate of ammonia (Cwts.)	1,881	1,06,350	29,907	12,17,925	31,326	11,77,846	—	—
6. Sodium Bichromate (Cwts.)	—	245	7,236	1,65,068	1,000	23,640	—	—
7. Sodium ash (Cwts.)	1,631,769	2,54,29,441	1,889,713	2,94,11,249	1,420,337	1,07,60,014	—	—
8. Other sorts of chemicals (Value)	—	3,81,81,676	—	5,21,56,884	—	7,54,28,858	—	—
9. Total of chemicals (Value)	—	12,68,34,004	—	17,92,51,347	—	21,26,42,867	—	—

In view of the increasing demand for liquid chlorine and bleaching powder, there has been a liberal import of these. But it must be remembered that in spite of several years of existence, the bleaching powder industry has not made much progress. In 1950-51 and 1951-52, there have been heavy imports of bleaching powder as well as light chlorine with the result that Indian production has been on a very low scale. In 1952, the production of bleaching powder had been 792 tons. The imports of bleaching powder have been fairly high though they dropped from the high level of 176,000 tons in 1951-52 to 97,000 tons in 1955-56. There has been some criticism of the liberal policy pursued by Government in this regard based on the estimates of the Tariff Commission of future demand which has had the effect of stifling the growth of indigenous output.

Apart from these, a large number of other heavy chemicals are also manufactured in the country but many of these have still to be imported not only to meet the gap between the demand and supply but also to act as a corrective in improving quality of indigenous manufactures. Barring alum, magnesium chloride, magnesium sulphate and ferrous sulphate, there have been sizeable imports in respect of other chemicals, like zinc chloride, copper sulphate, aluminium sulphate, calcium carbide and potassium chlorate. It must be the endeavour of the country to make a bid for curtailment of imports even in respect of these and at least achieve near self-sufficiency in some of these.

PRODUCTION OF CERTAIN CHEMICALS AND PHARMACEUTICALS

Items	1954 (Tons)	1955 (Tons)	1956 (Tons)	1957 (Jan. to Oct.) (Tons)
Sulphuric Acid	1,56,876	1,66,290	1,65,408	1,56,756
Caustic Soda	29,304	34,248	39,420	35,030
Soda Ash	48,288	77,268	84,240	75,797
Liquid Chlorine	9,780	11,580	15,072	13,087
Bleaching Powder	2,928	2,700	4,656	4,479
Bichromates	3,240	2,928	3,264	3,029
Superphosphates	1,05,060	74,160	81,168	1,07,855*
Ammonium Sulphate	3,40,224	3,93,096	3,88,992	2,76,655*
Copper Sulphate	840	1,044	1,980	1,287*
Soap	37,996	99,000	1,09,908	83,318*
Glue (Cwts.)	18,120	19,464	21,828	21,188
Welding Gases:				
(a) Oxygen (Lakh cub. ft.)	2,344.8	2,828.4	3,283.2	2,940.6*
(b) Acetylene (Lakh cub. ft.)	421.2	474.4	553.2	465.1*
Glycerine (Tons)	2,338	2,508	2,916	1,863*
Bakelite moulding powder (000 lbs.)	1,057.2	1,600.8	2,205.6	2,134.4
Liver Extract:				
(a) Injection (000 c.c.)	16,784.4	24,240.2	25,142.4	20,684.9*
(b) Oral (000 lbs.)	259.2	294.0	279.6	202.3*
Rayon Yarn (Viscose yarn) (Tons)	4,944	5,736	7,296	7,555
Alcohol (000 bulk gallons)	8,007.6	10,432.6	10,270.8	7,723.3*
(a) Power (Absolute or dehydrated)	4,639.8	5,156.4	3,999.6	3,715.5*
(b) Rectified Spirit	2,835.6	2,839.2	3,193.2	2,529.6*
(c) Denatured Spirit	—	—	—	—

* January to September.

Name	Unit	1951	1956	Percentage Increase + or decrease—
I. CHEMICALS:	Tons	106,932	165,408	+ 54.6
Sulphuric acid	"	14,724	39,420	+168.4
Caustic soda	"	47,532	84,240	+ 77.2
Soda ash	"	5,268	15,072	+180.3
Liquid chlorine	"	3,588	4,656	+ 29.7
Bleaching powder	"	3,276	3,264	— 0.36
Bichromates	"	61,020	81,168	+ 33.0
Superphosphates	"	52,604	388,992	+739.4
Ammonium sulphate	"	504	1,980	+292.0
Copper sulphate	"	1,932	3,132	+ 62.1
Sodium sulphate	"	—	—	—
II. CHEMICAL INDUSTRIES:	Tons	33,942	41,424	+ 23.6
Paints and varnishes	000 cases	578.4	589.2	+ 1.9
Matches*	Tons	83,436	109,908	+ 31.7
Soap	Cwts.	14,112	21,828	+ 54.6
Glue	"	—	—	—
WELDING GASES:	Lakh cub. ft.	1,452.0	3,283.2	+126.1
(a) Oxygen	"	298.8	553.2	+ 85.1
(b) Acetylene	Tons	2,424	2,916	+ 20.2
Glycerine	000 lbs.	459.6	2,205.6	+379.9
Phenol Formaldehyde moulding powder	"	—	—	—
LIVER EXTRACT:	000 c.c.	10,682.4	25,142.4	+135.2
(1) Injection	000 lbs.	319.2	279.6	— 12.4
(2) Oral	"	—	—	—
RAYON:	Tons	2440	7,292	+257.6
Viscose Yarn	"	—	7,848	—
Staple fibre	"	—	1,416	—
Acetate	"	—	—	—
ALCOHOL:	000 bulk gallons	5,809.2	10,243.2	+ 74.6
Power Dehydrated	"	5,019.6	3,999.6	— 20.3
Rectified spirit	"	1,966.8	3,193.2	+ 62.4
Denatured spirit	000 lineal yards	—	320.4	—
Linoleum	000 gross	1,446.0	3,603.6	+148.8
Plastic moulding	"	—	—	—

* Figures refer to the production of organised factories and 50 gross boxes of 60 sticks each have been referred.

CENSUS OF MANUFACTURING INDUSTRIES: CHEMICALS (1950-54)

	1950	1951	1952	1953	1954
1. Number of Registered factories in existence	243	262	276	290	319
2. Factories from which returns were received	237	245	255	268	303
3. Percentage of (2) to (1)	98	94	92	92	95
4. Fixed capital employed ('000 Rs.)	13,64,38	14,69,23	37,31,41	40,30,12	41,16,08
5. Working capital employed ('000 Rs.)	11,71,36	15,33,92	21,42,49	21,04,02	24,42,64
6. Total capital employed (6 = 5+4) ('000 Rs.)	25,35,74	30,03,15	58,73,90	61,34,14	65,58,92
7. No. of workers employed	26,411	30,530	32,432	33,165	34,955
8. No. of persons other than workers employed	8,180	7,133	9,023	9,121	10,682
9. Total no. of persons employed (9=7+8)	34,591	37,663	41,455	42,286	45,637
10. Wages paid to workers ('000 Rs.)	2,44,84	3,18,74	3,49,39	3,81,87	4,08,25
11. Salaries paid to persons other than workers ('000 Rs.)	1,76,03	1,77,59	2,25,11	2,42,35	2,97,73
12. Money value of other benefits or privileges ('000 Rs.)	17,48	13,06	16,78	20,09	23,31
13. Total salaries and wages paid (13=10+11+12) ('000 Rs.)	4,38,35	5,09,39	5,91,28	6,44,31	7,29,29
14. Value at factory of materials fuel etc. ('000 Rs.)	16,32,68	21,38,83	24,48,65	26,62,08	33,08,64
15. Value of work done for factories by other concerns ('000 Rs.)	6,74	9,69	16,40	11,83	16,25
16. Depreciation ('000 Rs.)	99,27	1,06,65	2,78,05	2,91,03	3,12,50
17. Total of materials and fuels consumed and depreciation (17=14+15+16) ('000 Rs.)	17,38,69	22,55,17	27,43,10	29,64,94	36,37,39
18. Factory value of products and by-products ('000 Rs.)	26,90,29	36,61,54	40,99,68	47,67,50	56,24,57
19. Value of work done for customers ('000 Rs.)	18,03	36,55	40,88	44,43	54,62
20. Total of products and by-products manufactured for sale (20=18+19) ('000 Rs.)	27,08,32	36,98,09	41,40,56	48,11,93	56,79,19
21. Value added by manufacture ('000 Rs.)	9,69,63	14,42,92	13,97,46	18,46,99	20,41,80
22. Value added as percentage of productive capital	38.2	48.0	23.8	30.1	31.1
23. Value added per person employed (Rs.)	2,803	3,831	3,371	4,368	4,474
24. Value added as percentage of gross output	35.8	39.0	33.8	38.4	36.0

The Economy and the Plan

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Policy and Reality

THE Indian Budget is an instrument in the fulfilment of India's Plan. This makes it a link between the economy and the Plan. In this Blue Supplement an attempt has been made to deal both with the economy and with the Plan in a general manner; particular views on the Budget have been expressed elsewhere in this issue. So far as the economy is concerned, a view of its problems has been presented by Mr. K. Santhanam in a series of four articles described as 'Some Dilemmas of the Indian Economy'. There is probably general agreement now that these are the challenges which need to be met. It is doubtful if this Budget which is so largely a repetition of last year's performance will meet them. The dilemmas thus remain as before, because the economy remains very much as it was last year, only with pressures increased.

The outlay on the Plan which is scheduled at about Rs. 100 crores more than the Budget figure of 1957-58 is, in the light of all factors involved, excessive. In the view of 'The Eastern Economist' all the expenditure on the Plan designed for this year will not take place. It will not take place partly because of the bottleneck of foreign exchange. It will not take place even otherwise, because of the absence of organisation in the public sector which still bears an undue portion of the load. It is believed, for example, that in the coal industry, scheduled expenditure, because of the public sector, cannot be incurred profitably.

It is true that there has been a silver lining on the foreign exchange front in recent months. The new year has opened with a heartening development. There is now the promise of good foreign aid, the recent loan agreement with the United States being the most outstanding in it. Undoubtedly this has engendered an optimistic outlook in the country's psychology which during the last year was subjected to severe moods of depression. While there has been some easing of the situation, it is necessary not to lose sight of one or two important factors. One is the uncertainty over the Defence requirements which may make a larger draft on the foreign exchange which has not been taken into account by the planners. Another is the importance of synchronisation between the assurance and the receipt of foreign aid when it is needed to finance imports. Without this, the fulfilment of the schedule of development programmes will be disturbed.

We are realizing, perhaps rather late, that our preoccupation with the crisis of foreign exchange has distorted our perspective. Far too inadequate attention has been given to the rupee component of the resources. Here again the difficulties are of a high magnitude. Central taxation has been carried to an excessively burdensome level where it is operating as a positive deterrent to savings as well as reinvestment. As for the State Governments, they have been shy of taxing the people. In the sphere of small savings where their responsibilities are utmost, they have given a poor account of themselves. Government borrowings in the capital market make the position of rupee finance for the private sector increasingly difficult. With deficit financing of the order of Rs. 800 crores for the first three years of the Plan—and it must be stressed that the estimate of Rs. 205 crores for 1958-59 cannot be taken at face value and will inevitably reach a higher level—it will need a Herculean effort to bring it within a manageable proportion in the last two years of the Plan. The threat of inflation which it holds demands strict caution and ruthless scrutiny of the outlay proposed in the public sector projects.

It is vital before Budgets are made that there should be a review of the capacity of the agencies to take loads on which the fulfilment of the Plan is based. In this respect a failure of philosophy is a failure of the Plan, and a Budget which does not bring the Plan in relation to the facts is itself in part to blame.

There are observations in this Blue Supplement to suggest that India's philosophy of excessive dependence on the public sector is an error, that the current year's outlay is excessive by something like 50 to 75 crores of rupees, and finally that, if a cut in expenditure is not incurred, the requisite equilibrium can be obtained only by a shortfall of expenditure due to inadequacy of agencies in use. If scheduled expenditure is incurred with current resources, the result can only be inflationary. There is, thus, need for revision of the current year's expenditure on the Plan or revision of the agencies being used in the Plan to incur current expenditure. In either case, the argument is there is need for change in the Plan, and, therefore, in the Budget which is its instrument.

Adjustments in the Plan

THE high expectations raised that the current budget would provide the opportunity to reveal the true state of the Plan have been belied. It would now appear that one has to await the promised memorandum of the Planning Commission to know the final size of the Plan, what projects have been dropped and what the rephrasing finally comes to. Meanwhile, however, the Economic Survey, circulated along with the budget papers, claims that a major decision regarding adjustments in the Plan has been taken, namely, that the ceiling for financial outlays by the Central and State Governments will remain unchanged at Rs. 4,800 crores. But this does not really go far in providing enlightenment. What does this mean so far as the real target of the Plan is concerned? Here there is scope for any number of interpretations and it may mean many things to many men.

One way of looking at it would appear to be that since the original Plan targets would involve an outlay of about Rs. 5,500 crores, the revised ceiling would mean a cut-back of about Rs. 700 crores which works out to a reduction of a 15 per cent in the target. Another way of interpreting it would be that since the original Plan targets were based on the 1952-53 prices, the downward revision in real terms consequent on the increase in prices would depend upon the assumption one makes regarding price level which has varied from time to time. Considered from this point of view, the shortfall may range anything from 6 to 12 per cent. The Survey mentions that since there have been increases on some of the projects in the Plan, there would be need for consequential adjustments in expenditure ceilings for some of the development programmes. All this only goes to show how one is left guessing about what the real size of the Plan is going to be and what projects will ultimately find a place in it.

However, the mystery regarding the 'core' of the Plan has been partly revealed by the statement made in the Lok Sabha this week by the Deputy Minister for Finance. The 'core' has been all along defined as to include steel, coal, transport and ancillary power. The list now shows that in the public sector, the 'core' includes the three steel plants, coal mining schemes put forward by the National Coal Development Corporation, the mining part of the Neiveli lignite project, railway development programme, development of the ports of Bombay, Calcutta, Madras and Visakhapatnam and 12 power projects. As for the private sector, the expansion programmes of the Tata Iron and Steel Works and the coal mining schemes alone find a place in the 'core'. It has been stated foreign exchange has been arranged wholly or at least partially for these several projects.

This definition of the 'core' in terms of the projects selected obviously does not reveal the extent of rephrasing of the Plan since there are many other projects outside the 'core' which are fairly in an advanced stage of execution and which cannot be left at that for lack of foreign exchange. It is also likely that in many cases, the foreign exchange required may mean only a small percentage of the total cost and since industrial expansion will depend on completion of many of them, it is necessary that attention is concentrated on them for resisting the inflationary pressures.

It is necessary to labour this point because official thinking seems to be moving in a direction that cannot but cause considerable disquiet for the private sector. It can, no doubt, be pointed out that in the 'core', there has been no discrimination made between the public and the private sector since steel and coal projects in the private sector are being treated as in the 'core'.

But Government's responsibility seems to stop with this since the Economic Survey blandly points out that "the course of private investment hereafter will depend mainly upon the availability of foreign investment or satisfactory deferred payment terms". What does this really mean? There have been reports that fertilizer projects, which Government themselves have admitted are vital for increasing agricultural production, would be included in the private sector. Has Government no responsibility in securing foreign exchange for these? Again, if production of cement so important for the Plan projects can be stepped up only by imports of machinery, can Government plead that since it is outside the 'core', they have no responsibility?

It seems to be conveniently ignored that besides an aggregate outlay of Rs. 4,800 crores for the public sector, the Plan has made a provision of Rs. 2,400 crores for investment by the private sector. What the Government now seems to be interested in is going ahead with public investment and is not very much concerned whether the private sector manages to secure the needed investment or not. This is explicit from the following statement appearing in the Survey. "The trend of public investment in the coming years has necessarily to be upward. Private investment may, on the other hand, decline somewhat, partly because of the paucity of funds in the capital market and partly for lack of sufficient foreign exchange. Investment in the aggregate is, however, expected to maintain an upward course".

It is in this context that the outlay for the coming year for the execution of the Plan should be viewed. The Plan outlay for the coming year would amount to Rs. 1017 crores for both the Centre and the States compared to Rs. 670 crores in 1956-57 and Rs. 845 crores in 1957-58. The bulk of this stepping up of about Rs. 155 crores from the 1957-58 outlay is meant for the railways and industrial projects besides strengthening the provisions in the State plans for agricultural programmes. The financing of this outlay is expected to involve deficit financing of Rs. 205 crores. Is there any possibility that the public sector, in view of past experience, will be able to deliver the goods? Compared to an outlay of Rs. 955 crores proposed for 1957-58, it is now estimated that the actual outlay spent would have been only Rs. 845 crores. The Economic Survey itself admits that during 1956-57, for which data are available, investment in the private sector was Rs. 135 crores, which was not excessive in relation to the five-year target of Rs. 720 crores envisaged for investment in the organised industrial sector. Now the attempt seems to be to deliberately weaken production and the pace of new investment in the private sector to keep upward the increased outlay in the public sector. With the rate of industrial production already falling, it is inconceivable how Government can look forward to with complacency the possibility of private investment declining without damaging industrial production and accentuating inflationary pressures? Is it in the interest of the economy to curtail production in industries even though it may lead to inflation?

There is no doubt that it was a cardinal mistake to have increased the ratio of public to private investment in the Plan to 61:39 as compared to 50:50 in the first Plan. If economic development is the ultimate goal and consistent with the policy of mixed economy, if private enterprise can deliver the goods, why should it be fettered? For example, in the matter of coal, why should Government make a fetish of the public sector and try to bite more than it can chew if existing mining companies can themselves raise the necessary coal? Why should ideology come in when the need is putting first things first and as the Survey itself points

the "growth potential" of the economy should be safeguarded? The Plan obviously requires greater adjustments and a proper recognition of the role of the private

sector and the projects outside the 'core'. Merely to make a virtue of the 'core' of the Plan alone is not going to help the objectives of the Plan.

An Appraisal of Resources

1. Foreign Exchange

WRITING in the last Budget Number, 'The Eastern Economist' pointed out that, though the current economic crisis had both an external and an internal component, it was natural that the foreign exchange crisis should attract more attention as being immediately the more visible of the two disorders and that the speed with which the sterling balances declined in the previous year helped to dramatise the external finance problem. This was borne out by the continuous discussions in Parliament and outside centering on the crisis posed on the foreign exchange front and the way to meet the challenge. Drastic cuts in imports of consumer goods and the strict vigilance exercised in respect of the licensing of imports of capital goods together with the efforts made simultaneously to secure external assistance and deferred payment terms for projects in both the public and private sectors — all these helped to a considerable easing of the situation. The promise of large-scale foreign aid in several directions in recent months undoubtedly contributed for the change in the complexion of the problem. Thus the Economic Survey is able to point out that "the outlook on foreign exchange resources for the Plan is now a little better than it appeared to be about a year ago and it is hoped that it will be possible to complete the 'core' projects more or less according to schedule".

The Plan anticipated a balance of payments deficit of Rs. 1,100 crores on current account and allowing for the withdrawal of sterling balances of Rs. 200 crores, the gap to be covered for the import requirements of the public and private sectors was placed at Rs. 900 crores. But consequent on the higher prices of imports and the under-estimation of the imports of capital goods, the gap was estimated to have widened by another Rs. 500 crores. Besides, food imports and defence requirements contributed to accentuate the crisis making for considerable deviations from the Plan figures. Attention was therefore riveted on the 'core' and even to salvage this part, it was estimated that at least another Rs. 700 crores would be required. The Deputy Finance Minister recently told the Lok Sabha that the total foreign exchange requirement of the 'core' was Rs. 967 crores and the sum of Rs. 700 crores was the net cost that was now required. However, he was able to give the assurance that foreign exchange would be arranged for all projects included in the 'core'. With regard to projects outside the 'core', foreign exchange would be allowed only to those projects which had made considerable progress or for which exchange was readily available.

With the outlook on foreign aid brightening, it is possible to envisage some kind of a solution to the foreign exchange problem provided defence requirements which the Plan did not take into account do not impose too much of a burden. This of course is a big rider. The total of external assistance authorised since the second Plan commenced to the end of December, 1957, comes to Rs. 480 crores. Under the various programmes of assistance already in operation or in sight, the total foreign assistance for the coming year is estimated at Rs. 325 crores. These include the recent United States loan of \$225 million (about Rs. 107 crores), the offer of credit from the USSR of 500 million roubles (about Rs. 60 crores), the sum of 25 billion francs (about Rs. 28 crores) expected from the signing of agreement with France, the sum of 18 billion yen (about Rs. 24 crores) consequent on the agreement signed with Japan and the sum of Rs. 66 crores from West Germany consequent on the acceptance of the principle of deferred payments for the Rourkela plant. During 1957-58 Canada authorised 21 million dollars as assistance under the Colombo Plan. In addition, she has made a special grant of 7 million dollars for the purchase of wheat and also has agreed to supply an additional quantity of wheat on reasonable terms of credit.

The value of these significant developments in easing the foreign exchange shortage cannot be exaggerated. It is now already on the cards that further US assistance by way of loan to the tune of Rs. 220 crores can be expected. Taken together with the expected aid from World Bank of the order of Rs. 150 crores and further assistance from T.C.M. and under the Colombo Plan, the chances of reducing the foreign exchange gap can thus take an optimistic note. Another significant element to be taken into consideration is the fact that while our import requirements were underestimated in the Plan, our export earnings have also been underestimated. Thus for 1956-57 while the Plan placed export earnings at Rs. 573 crores, the actual performance shows a total of Rs. 637 crores. Provided defence requirements and food imports do not make any considerable draft on the foreign exchange and provided we are also able to synchronise expenditure with the availability of foreign exchange (and both of these are important qualifications) it is possible to look forward with less uneasiness to the foreign exchange component in the coming years.

2. Private Foreign Investment

THE Plan assumed private foreign investment of Rs. 100 crores to cover a part of the foreign exchange gap. This is obviously modest and there is need for inducing a much larger flow from this source and what is more important there should be readiness to act up to the implications of inviting foreign private capital. This is particularly important since recent official thinking seems to take the view that the needs of private industry are to rate rather low in priority for the allocations of foreign exchange. It is, however, a welcome feature of the recent loan agreement with the US that a considerable part of the credits will be available for approved projects in the private sector.

There has been a significant change in the structure of Indian economic thinking in recent years in respect of the desirability of foreign capital as explained in the Blue Supplement of 'The Eastern Economist' of November last. The foreign exchange crisis has led to the belief that many foreign investors can do something to allay our difficulties. But mere declaration by Government that foreign investment is welcome and exhortation to Indian industry to seek foreign collaboration in Indian enterprises will not take one too far. What needs to be recognised is that the financial element in the case is the dominant one. The fact is that the return in the US is in practically all industries

higher than in this country. One of the difficult problems of the 20th century is the divergence that now exists between the political need for development of the underdeveloped countries and the attractiveness of investments in countries from which the flow should be outward instead of within. Obviously a first condition of a policy for attracting foreign capital should be an attempt to equate the returns to the private sector in the investing country with those in the country chosen for investment.

This can be done in two respects. The first is to give the investor a return net after the taxes at least equal to what he would earn in his own country. The second is to guarantee to managements that make the investments reasonable conditions for their own nominees so that the rate of personal taxation or the manner in which it is administered do not exclude foreign personnel which are still considered necessary by foreign investors as a safeguard for their interests. Finally, apart from the problem of the return on capital and the provision of adequate facilities for foreign personnel to reside in this country, there is need for a general atmosphere of confidence in the policy of Government not to nationalise unduly or if it nationalises, to provide not merely adequate but generous compensation.

It must be mentioned that the translation of socialistic pattern ideals into steep personal taxation and more recently the attempt to finance the Plan by impounding company deposits has led to a feeling that Indian policy is designed to inhibit the private sector. The recognition that foreign capital is now desirable is by no means enough. The ground lost has to be recovered by a substantial change in policy, and what is doubly necessary is to show by deeds that the opportunities for the private sector are real in this country.

There is no doubt that one of the unsettling factors in regard to private foreign investment is the increas-

ing burden of taxation on foreign personnel, and the consensus of opinion is that India is not very attractive to senior executives. The result is that United States executives who have a free choice will tend to go to countries where taxation is lower unless the company compensates them completely for the severity of taxation. To the extent that the company provides such a compensation its profits are further diminished. In addition to taxation there is the problem of cost of living which has been steeply rising in the last two years particularly in respect of that range of goods such as alcoholic drinks and imported foods where foreign executives choose to consider a virtual necessity.

It is true that the situation has been remedied by the provision that technicians operating in the country for three years should be free from taxation. It is very desirable that the personal reliefs granted to technical personnel should be extended to individuals in managerial and consultancy roles. Similarly there is the problem of overseas personnel in India who come for temporary residence but not necessarily for residence over the longest period. There are frequently classified as "non-resident", and subjected to heavier "non-resident" taxation. Again the taxation of overseas personnel on the basis of their world incomes tends to restrict entry to those personnel without substantial income other than their own salaries. This in turn reduces the quality of personnel available to administer investments in India. Similarly, taxation of perquisites in some form or another has been keenly felt. If most of these objections are to be removed generous concessions will need to be applied to foreign personnel even if they are not provided to Indian executives. These concessions might need to be applied perhaps for a thousand executives in all and the loss would be trivial compared to the significant gain that would be obtained by making foreign investors feel that their sentiments have been duly appreciated.

3. Rupee Resources

THE "Economic Survey" reveals that though the foreign exchange problem shows signs of improvement, from the point of view of internal rupee resources, the implementation of the Plan is not going to be smooth-sailing. It admits that the main problem is one of mobilising resources adequate for the task of development and though inflationary pressures in the system have abated, the process of bringing about a better balance in the system can be said to have only begun. Its observation that in the coming year, the increase in the national output is likely to be somewhat smaller than in the current year as the rice crop is short and the rate of increase of industrial production has tended to slow down is certainly disquieting. The conclusion is that increased productivity and savings are vital since they provide the real resources through which to check inflation and to improve the balance of payments.

But the trend of Government borrowings as well as small savings is not such as to inspire much hope. The assessment of the "Economic Survey" in respect of the rupee resources speaks for itself. It says: "The large tax effort that has been made at the Centre, coupled with a satisfactory level of contributions by the railways has assisted the financing of the Plan substantially. But the yield of public loans amounting to Rs. 213 crores in the first two years is below the Plan expectation of Rs. 140 crores a year. Small savings, which were estimated to yield Rs. 100 crores a year on an average will barely reach a total of Rs. 120 crores in the first two years. The tax effort in the States has so far been below the estimates worked out for the

Plan. While the initial Plan estimates of committed expenditures are being substantially exceeded, some of the States have not succeeded in raising resources sufficient for financing their annual plans in spite of the sizable transfer of resources to them from the Centre under the Finance Commission's award."

In the face of this it seems doubtful whether a net receipt of Rs. 125 crores from market borrowing for the budget year will be realised nor if there is any scope for any substantial collections in respect of small savings notwithstanding the valiant attempts that may be made to step up the campaign. Though efforts at additional taxation by the Centre have been massive, it is again doubtful what slice of this defence expenditure would take away and how much would be left for financing Plan outlay. So far as deficit financing is concerned, already Rs. 600 crores have been incurred during the last two years and it will be of the order of Rs. 205 crores in the current year which makes up a total of Rs. 805 crores. It would, therefore, appear that all talk of having a ceiling of deficit financing at Rs. 900 crores for the entire Plan period has no validity. Under existing conditions, there seems to be no possibility of increasing production of food grains, consumer and other goods at a sufficiently rapid rate to keep the inflationary forces in check, which will be released by large scale deficit financing. The outlook for rupee resources in all conscience is far from bright with short-fall in borrowings and small savings and the attempt on the part of the States at stepping up revenues far from encouraging.

The Performance of Industry, 1957-58

THE figures of production in industry reveal a slackening in the rate of industrial growth in 1957-58, the second year of the second Plan. Current estimates show that there was no more than 4 per cent rise in the production of the organised industrial sector in 1957-58 over 1956-57. This is indeed a very poor performance and shows a rate of rise which is the lowest since the launching of the first Five-Year Plan.

The major causes for this fall in output are two. In the first place, the projects in the public sector have not so far delivered the goods. Almost all of them will go into production only after two years. Secondly, the cotton textile industry in the private sector had to curtail its output in 1957-58 because of a fall in demand. The heavy excise duty enhanced the price to a level which cut consumption drastically.

There are, however, industries in the private sector which show a promising rate of growth. In the two sections below, an assessment is made of the individual industries in both the public and the private sectors.

PUBLIC SECTOR PROJECTS

The pride of place in the public sector is accorded to the steel projects. The Kourkela Steel Project is expected to go into production in December this year when its first blast furnace will start operating; the entire plant is expected to go into operation at the end of 1959, though some of the main departments will be ready earlier. Similarly, Durgapur Steel Project also is still in the process of being erected. Its first blast furnace along with a part of ore handling and blending plant, the cleaning plant and the first coke oven battery will be ready not before the last quarter of 1959. The output of the Mysore Iron and Steel Works also is expected to increase not before the end of 1959.

It is obvious, therefore, that the huge investments which are being made in the steel industry in the public sector will not start yielding dividends till 1960.

The public sector has already started thinking in terms of the third Five-Year Plan in so far as steel is concerned. A tentative target of 15 million tons has already been set. It will necessitate an increase of 9 million tons in the target for the second Plan. Bokaro area in Bihar has been considered very suitable for setting up a new steel plant. Preliminary work, therefore, for this purpose has already been started.

In the case of coal also, the picture is not very encouraging. The public sector has set a target of 15 million tons of production in 1960-61. As matters stand today, there seem to be very bleak chances of the public sector attaining this target. As against the total output of 2.6 million tons in 1950, the public sector succeeded in raising its total output up to 3 million tons only in 1957. The wide gap of nearly 12 million tons shows the tremendous leeway that the public sector has to make in order to grapple with the allotted task of producing 15 million tons of coal.

Sindri, there is no doubt, is doing a good job. The current projects of extending the activities of Sindri will increase its present capacity by more than 60 per cent. The demand for artificial fertilizer in the country being insatiable, the Nangal Fertilizers and Chemicals Ltd.—a new company in the public sector—is expected to produce 70,000 tons of fertilizers every year. The factory is expected to go into production early in 1960.

There are smaller units like Hindustan Cables, Hindustan Insecticides and Hindustan Antibiotics which are already producing sizeable quantities of industrial products but the total value of these units in

the overall industrial set-up is of a very small proportion. Even the Heavy Electricals Company Ltd. which is to produce the much-needed electrical goods inside the country will go into production only in 1960 or 1961. The story of the public sector, therefore, is to be told more in terms of projects which are still being set up rather than in terms of performance in actual output. It is yet to be seen whether all these projects will be installed according to schedule. The foreign exchange crisis in 1957 seems to have delayed some of them but it is hoped that the loans received from friendly nations will go a long way in hastening their completion.

THE PRIVATE SECTOR

The performance of the private sector is indicated in the table on p. xi. It shows the production trends in 42 major industries quarter-wise. Some of these, such as coal, cement, etc., embrace the public sector as well but their share is very small.

The decline in the output of both the cotton and the jute textiles was the main influence in creating a fall in the overall index. There were a number of other industries such as sewing machines, bicycles, electric lamps, pig-iron, finished steel, caustic soda, ammonium sulphate, conduit pipes and storage batteries, wherein production either declined or levelled off. Some of these industries were victim of the bottlenecks at various points in the economy such as curtailment in imports of raw materials and fall in demand due to inflationary pressures. It is particularly true of bicycles and sewing machines that high cost of food has produced a slack in their demand.

Among the important industries which have shown an upward trend in production during 1957-58 are diesel engines, power transformers, power driven pumps, electric motors, aluminium, sulphuric acid, bleaching powder, paper, twist drills, and rayon yarn. Among the capital goods industries the production of diesel engines in 1957-58 went up by 40 per cent, as compared to the corresponding period of 1956-57, electric motors 29 per cent, power transformers 27 per cent, power driven pumps 32 per cent, carding engines 36 per cent, power driven pumps 32 per cent, carding engines 36 per cent, aluminium 31 per cent and spinning ring frames 21 per cent. The output of coal was higher by 10 per cent, of cement by 14 per cent and sulphuric acid by 17 per cent (the increase in production of cement and coal is shared both by public and private sectors). Among the consumer goods industries production of sugar went up by 11 per cent in the first eight months of 1957-58 as compared to the same period last year, of vanaspati by 23 per cent and of bicycles by 9 per cent.

The fall in industrial output in 1957 looks like a temporary phase in India's industrial scene. There are strong indications to show that the rate of growth will recover after 1959. There have, in fact, been sizeable additions to the installed capacity in a large number of industries. The Tata Iron and Steel Company's expansion programme is running according to plan. In the third quarter of the current year, TISCO hopes to produce steel at the rate of 2 million tons per annum. There are other industries such as Power Transformers, Electric Motors, Textile Machinery, Machine Tools etc. where installed capacity is increasing at a rapid pace. There are various other industries where orders have already been placed for necessary plant and machinery to complete expansion programmes. The future is bright, but there is a hump to be surmounted in the next fifteen months.

Some Dilemmas of the Indian Economy

(The following four lectures delivered in Madras by Mr. K. Santhanam, former Chairman of the Finance Commission, under the auspices of the Council of Public Affairs on "Some Dilemmas of the Indian Economy" are included in this Blue Supplement in view of their topicality.—Editor).

I—NATIONAL INCOME AND DEVELOPMENT

THE economic progress of a country is not a simple affair. It is a complicated and zig-zag process. The old faith of early economists that, if only the Government would not interfere, the natural forces of self-interest, competition and division of labour will bring about a steady increase of wealth and prosperity was never true to any substantial extent. In the nineteenth century, however, it appeared to hold good for certain countries. This was due to special conditions and when the advanced capitalist countries faced the great crisis of depression of the 1930s, this faith was finally abandoned. Now, all economies including that of the U.S.A. which is supposed to be based on unrestricted free enterprise, is regulated, controlled and managed in various directions by various methods. In the Communist countries, it is needless to say, the entire economic system has to be managed. The other countries are between these two extremes, and they may be said to be in a system of mixed economy, private enterprise and public undertakings existing side by side in different proportions.

Wherever the economic system needs conscious controls, those who have to operate such controls are faced with difficult dilemmas. They have to choose between alternatives without the means to decide definitely their relative merits. Having chosen one of the alternatives, it is generally not possible to go back to any other without grievous loss of time and money.

In a country which is fully developed and where normally all the working population is usefully employed, it may not be difficult to write off all such losses. The position is entirely different in a country like India where a large section of population lives on the margin of subsistence, where millions are un-employed and even a larger number under-employed and productivity is very low.

Now, there is unanimous agreement that the national income of India should increase at a steady, if not at an increasing rate, and that the increase in national income should be utilised to bring about a continuous improvement in the standard of life of the people as a whole. On the face of it, each of these objectives is eminently desirable and necessary and there appears to be no conflict between the two. But when we examine them more closely difficulties appear.

Let us take the increase of national income. This can be brought about:

- by increase of productivity in the existing farms and factories;
- by increase of production through new farms and factories; and
- by development of social services and thereby building up the physical and mental capacity of the people;

These methods are not mutually exclusive except that all of them require capital investment and as a matter of fact, it has been the attempt of the Planning Commission to combine all the three. The extent to which any of these can be achieved, depends upon the savings that can be made available for investment and

the manner of such investment. It has been calculated by the Planning Commission that domestic savings in 1950-51 amounted to 5 per cent and it rose to 7 per cent in 1955-56. The national income in the previous year at 1952-53 prices has been estimated at Rs. 9,110 crores and in the latter year Rs. 10,800 crores. Domestic savings thus increased from Rs. 450 crores in 1950-51 to Rs. 756 crores in 1955-56. These amounts were so small that they were hardly sufficient for the three purposes, viz., increasing productivity or stimulating new production or for the general improvement of the social equipment of the country. If a large proportion of the amount could be diverted to intensifying productivity of the existing farms and factories, the national income would increase at a more rapid rate and it would set a higher standard of national efficiency for all future expansion of production. If it is diverted to new production which is economic, it may not yield much income for a short period, but it will soon bring about an increased production. To the extent that national savings are diverted to subsidise production through cottage industries, it will no doubt provide much needed employment but it will be at the expense of productive investment. The amount of savings diverted to improve social conditions is no doubt beneficial, but it will not add to productive capacity of the country in the near future. The distribution of investment between these objectives is difficult but crucial.

The result of an investment of Rs. 2,000 crores in the public sector and about half the amount in the private sector during the first Five-Year Plan is that the annual national income is estimated to have increased from Rs. 9,110 crores to Rs. 10,800 crores or by about 18 per cent. Though this is not much, it cannot be considered unsatisfactory. But looking at the break-up of this income, it is disappointing to find that contributions of the productive, distributive and social sectors of our economy maintained the same proportions at the end of the first Five-Year Plan as at the beginning. This may be all right in a mature economy, but in our backward condition it is essential to ensure an increased proportion of national income from production. It is true that the contribution of factory establishments increased by 43 per cent during the first Plan period, but quantitatively it was not significant and it was largely due to the fuller utilisation of installed capacity in the Private Sector.

In the second Five-Year Plan, an attempt has been made to give a little more importance to productive investment than to unproductive or semi-productive investment. The allotment for industries and mining has been stepped up from 7.6 per cent to 18.5 per cent and for transport and communications from 23.6 per cent to 28.9 per cent. But, unfortunately, the quota for irrigation and power has been reduced from 28.1 per cent to 19 per cent. I think it has been rightly decided to make a big effort for developing heavy industries. This involves a great strain on the present, but it is necessary in order to ensure accelerated increase of national income in the future.

Now, let us turn to the distribution of income. It is no doubt desirable that this distribution should be effected in a manner to raise minimum per capita

income and to reduce inequalities; but unfortunately, to the extent that either policy becomes effective, the capacity for saving and investment is reduced. The standard of life of the masses is so low that for a long time to come any increase in the standard will be exhausted in essential consumption. If the articles of mass consumption do not increase in proportion to the rise in wages their prices will rise and this will again create all kinds of complications.

There is again a further dilemma as to whether the limited resources of India should be used to provide a better standard of life for those already in employment or to provide work for those who are unemployed or under-employed. There is a strong temptation to satisfy the clamour of those in present employment, but unless the demand for increase of salaries and wages can be controlled effectively, the capacity of the country either to find savings for increased production or to provide new employment will be reduced. The existing disparities of wages between agricultural and urban workers, in cottage industries and factories and the employees of State Governments and the Central Government are causing a great deal of discontent and friction. There is a strong and legitimate demand for a continuous levelling up. This is a desirable thing but it conflicts with the basic need for a steady increase in saving and investment without which there will be no economic progress.

Thus, the major dilemmas in relation to national income and expenditure may be summed up into two broad categories:

- the conflict between short and long term interests of the Country;
- the conflict between saving and spending.

For a country in India's position, the long term interests should be considered to have definite priority over short term interests; in other words, increased productivity and increased capacity for economic production should be given the maximum possible allotment of national resources. Similarly, savings and investment on an adequate scale should be ensured, however painful it may be to restrict current consumption. These things could be easily done and are being done in totalitarian countries; but in a democracy it is far more difficult to induce people to prefer long term to short term advantages or to resist the clamour for immediate increase in wages and salaries. But, unless these things are done, planned progress will either stop or become too slow to be of much use. Probably the best via media may be to decide that at least sixty per cent of our national investment should be fully productive and that while legitimate demands for increase of wages and salaries may not be refused, all such increases should be in deferred payments. While we are asking the whole world to accept deferred payments for the supply of equipment for our Plan, it is but legitimate to call upon our own people to accept similar deferred payments for a part of their emoluments for the purpose of building up the economic capacity of the people.

II—FOOD AND AGRICULTURE

IT is generally assumed that the problems of food and agriculture in India are identical but it is not so. They are no doubt related and there are some common aspects; but there are aspects in which the two differ and lead to conflicting policies.

The main problem of food in India is to ensure a regular and adequate supply of rice and wheat, pulses, vegetables, fruits and dairy products to the urban population which constitute nearly a sixth of the total population. There are some scarcity areas like Kerala which require arrangements for supply of food grains and in times of famine and flood, the rural population affected may have to be looked after. But normally, the bulk of the rural population of India must and can look after its own food supply.

So much attention has been given to the supply of rice and wheat that sufficient attention has not been given to the steady deterioration in the supply of vegetables and dairy products to the urban areas. The urban population is growing at probably thrice the rate of the rural population. Vegetables and dairy products have to be produced near the consuming centres as it is not possible, except in the case of a few metropolitan cities, to provide at present refrigerating and transport facilities which would make it possible to transport them over long distances. It is time that more attention is paid to them. Some means should be found to make it worthwhile for the peasants to produce in the neighbourhood of urban centres to supply the production of these articles. As matters stand today, it appears more profitable to cultivate rice even in the neighbourhood of Madras.

The supply of rice and wheat is no doubt crucial. A few figures will be useful. The annual production of rice in India is 30 million tons and wheat 9 million tons. It has been estimated that the urban population requires 13 million tons of cereals as they hardly consume any millets. It should also be remembered that though the permanent urban population may be 60 millions, a

large number of rural folk are continuously visiting towns for various purposes. Making allowance for supply to scarcity areas, it is essential that about 20 million tons or half the production of rice and wheat in the country should be marketed.

Now it is well-known that rice and wheat produced in un-irrigated land hardly leaves any surplus for marketing; hence the bulk of the rice and wheat required has to come from the produce of 25 million acres of irrigated paddy and 10 million acres of irrigated wheat. The extension of irrigation is thus not so much a necessity for the rural as for the urban population. Hitherto, while agricultural land as a whole has been widely distributed, irrigated land has been more concentrated in big and medium holdings. This enabled the land holder to market the bulk of the produce of his holdings. The steps taken throughout the country to disturb this arrangement and replace the medium and large holdings by small subsistence farms may be justified on other grounds, but it is bound to make the problem of food supply to urban areas more difficult.

It is not enough if rice and wheat are available to the urban areas in sufficient quantities. They should be available at reasonable prices. On account of the low standard of life of the masses of urban population which receive their wages and salaries in cash, the price of food-stuffs plays a dominant part in the domestic budget. Cheap food means industrial peace and contented bureaucracy. On the other hand, cheap food is a disaster to the rural masses and agriculture. This question of price of food stuff is the perennial dilemma of food and agriculture.

Now let us turn to agriculture. Here our main objective is the prosperity of the rural population. What are the elements which contribute to this prosperity? In my view, the first and foremost is security of tenure. I am aware that the reform of land tenures has been in the forefront of the political programme of all political parties in India. It was inevitable that

zamindari should be abolished, that tenants should have a better deal and to some extent land should be re-distributed. The uncertainty resulting from the reforms cannot be avoided. At the same time, it is to be frankly recognised that the prevailing uncertainty has a harmful effect upon agricultural production. I may take the instance of the recent Madras legislation securing to the tenant 60 per cent of the gross produce as against the previous share of 40 per cent. I do not think that the change of percentage was unreasonable; but those who were responsible for the reform should have taken into account the inevitable consequence that the ryotwari holder would cease to take the same interest in his holding and refuse to invest a part of his annual income for the supply of seed and manure and improvement of his fields. If the 20 per cent had been impounded in some manner and given to the tenant as improved seed and manure, it would have benefitted the tenant much more. Now the majority of tenants are so poor that they cannot be expected to save the extra 20 per cent and re-invest it in improved cultivation. As a result of the prevailing uncertainty about land tenure, there is almost a complete cessation of flow of private capital into agriculture. Attempts are being made to make up for this by loans through State Governments and co-operative societies. But it will take many years before a new equilibrium is established. It is of supreme importance that whatever reforms are considered necessary should be completed quickly and a long period of certainty assured to those who left in possession of the land.

The second important condition for agricultural prosperity is stability of prices of food stuffs. Every committee and commission which considered the matter has emphasised this fact, but somehow or other no definite and clear-cut policy has emerged. There should be no difficulty in a public undertaking to buy rice and wheat at a prescribed level. I do not think it is useful to fix it every year before the harvest season, for if a lower price is fixed because there is a good harvest, the incentive to larger production will be removed. This will particularly be the case when all holdings are subjected to a low ceiling. Prices should be fixed

III—MANAGEMENT OF PUBLIC ENTERPRISES

THE recent enquiry of Justice Chagla into the Life Insurance Corporation Investments has high-lighted the difficulties of management of Public undertakings. As has been pointed out by many members of Parliament, it would be wrong to rush to the conclusion that the policy of expanding such undertakings is mistaken. The Life Insurance Corporation officials who dealt so casually and irresponsibly in the matter of particular investments are no more representative of those who are managing public undertakings than Mr. Mundhra is the representative of Indian private enterprise.

At the same time, the enquiry would have done a great deal of good if it promotes careful thinking regarding the problems connected with the management of public undertakings. It should be remembered that, even now, the public undertakings of the Central and State Governments are in terms of their capital and output much larger than that of private enterprise in this country. It is equally necessary to ensure efficiency and correct procedure in such management. The gibe about red tape and bureaucratic delays may be easily misplaced. That officials connected with the public undertakings could decide quickly; informally and hastily was one of the revelations of the enquiry.

It is essential that the managements of public undertakings should not be judged by the same stan-

ed for a period of four or five years. The Government would then be justified in procuring from all irrigated lands producing rice and wheat a small proportion, say, a third of the gross produce. This will form a substantial reserve on which an effective food policy can be based.

For the small peasant, the use of tractors and other methods of modern scientific cultivation involving considerable outlay are ruled out. Mixed farming consisting of production of a variety of food-stuffs and cattle-breeding will be more profitable to him. But, then, it may result in a reduction of grain supplies to urban areas.

It is natural for every villager to wish to possess his own land. The elimination of landless agricultural classes is an attractive propagandist proposition; but the result will be disastrous fragmentation of holdings. Even now, there are millions of uneconomic holdings in which the peasant is not able to maintain a decent pair of bulls and trusts more to casual manual labour rather than intensive cultivation of his fields for his living. The only ultimate solution for landless labourers is their absorption in industrial development.

It is not through sheer autocracy or heartlessness that in Soviet Russia the big landlord was first eliminated, land distributed among small peasants and again these holdings were compulsorily integrated into large farms. This was necessitated by the compelling need to ensure food supply to the towns. The same policy is being followed in China. As the pace of Indian industrialisation is slower, this country may take a longer time in bringing about the same reform. But sometime or other, the present enthusiasm for distributing land will have to give place to national need for integrating them into large farms where modern machinery and methods can be used. Thus our governments are faced with the difficult dilemmas of fixing prices which are equitable to the agriculturists as well as the urban population, of land reform without fall in production, and finally of the need for scientific farming and its difficulty in a system of small holdings.

dard as the running of administrative departments. In the latter, 'bona fides', diligence and correct routine are the main considerations. Though these virtues are necessary in running public undertakings, they are futile if they do not result in their successful working. However, painful it may be, the executive officers of public undertakings should be judged by the results and their service rules should be modified accordingly.

There are various types of management which are in operation each of which has its own merits and defects. Railways, Posts and Telegraph and Munition Factories are managed departmentally by the Central Government. Irrigation, Bus Services, and till recently, generation and supply of Electricity were managed departmentally by State Governments. The great advantage of departmental management is direct control by Legislatures and Ministerial responsibility. Where large sums of public money are concerned as in the case of Railways, the income and expenditure of which is almost equal to the Central Budget, departmental management appears to be most desirable. But even in such managements there may be various types: thus the Railways are managed by the Railway Board which enjoys considerable degree of autonomy compared to other Central Government departments. It has got a separate Financial Commissioner in the Board and except in a general manner, it is not subject to the control

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SPECIAL PLAN SUPPLEMENT

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of the Finance Ministry. Its Engineering and Accounting Departments are separate. Within the Railway system, each zone has got a considerable degree of autonomy. In my experience, this arrangement has worked very well and I think it would be desirable to extend the system to Posts and Telegraphs and Defence Industries.

The main defect of this system is its liability to party interference. That a political party has been continuously in power in the Centre and the States has ensured continuity of policy in departmental managements. If at any time there are frequent changes of Ministries, this issue may have to be considered.

Another form is that of Statutory Corporations, Port Trusts, the Life Insurance Corporation, the State Transport Corporations and Electricity Boards belong to this type. Here the autonomy of the Corporation subject to statutory safeguards, is the essence of the arrangement. It is possible to provide for the representation of various interests in the Board of Management. But these Corporations will have to be financially self-supporting and this can be ensured only by State monopoly in the particular field. They are likely to be conservative and will not usually take bold risks as private managements or departmental State management. When the Central and State Governments have to invest in or lend to these corporations large sums, the Parliament and Legislatures concerned will naturally seek to supervise and control them in some way or other, thereby reducing their autonomy. It is therefore desirable that such corporations should borrow directly from public rather than from the Central or State Governments. Unfortunately, this has become difficult under the Five-Year Plans and even in the case of Port Trusts, the Central Government is becoming the major creditor.

The third type is the private limited Company. Where the Central or State Governments want to run the undertaking in partnership with private enterprise or when some of the State Governments and the Central Government have to run a concern jointly, the method of private company appears convenient and flexible. But it cannot function openly like Public Corporations and there is likely to be public distrust over the operations of such companies, especially in the matter of contracts, recruitment of personnel etc. It has also become an unfortunate practice to depute Secretaries and Deputy Secretaries to be directors of such Companies. They have little time and when things have been done inefficiently or improperly, they become interested in hushing them up. It is worth considering whether in all such companies which are set up by the Central Government, the State Governments also should not be allowed to participate in the management. Besides ensuring national interests, this may help to

IV—NATIONAL AND REGIONAL DEVELOPMENT

THE idea of planned economy has got hold of public imagination. The setting up of the Planning Commission and the formulation of the Five-Year Plans have become the basis for a co-ordinated development of national resources. At the same time, this has made the people of every part of India keenly conscious of their backwardness and anxious that their claims should have priority.

It is now common even for Congress Ministers of States to complain about the step-motherly treatment of the Central Government and the Planning Commission in regard to the development of industry and social services in their States. It is no doubt true that the economic development of the various States has not

educate State officials in the art of Business Management.

Whether public undertakings are managed by statutory corporations or through private companies, the issues of autonomy and control are bound to be difficult and delicate. Uniform rules cannot be applied. Thus in the case of Sindri the Central Government has to have the power to fix the price of fertilisers in order to promote agricultural production. This naturally affects Corporation's ability to ensure that the undertaking makes a profit. There is no such need to limit the autonomy of a Port Trust to fix its dues and charges. So long as public funds are invested in these companies and Corporations, the Parliament and Legislatures concerned should exercise some supervision and proper machinery and procedure have yet to be evolved for this purpose.

There have been proposals that like the I.A.S., an Indian Economic Service should be started. It is an attractive proposal and has much to commend it. But it is wrong to imagine that just as an I.A.S. can manage any Department of Government, an official of the Indian Economic Service should be able to manage any public undertaking. Production methods, marketing and even publicity varied from one undertaking to another and it is only continuity of service in the same undertaking that can give the required experience. The subordinate service of every public undertaking has to be more or less self-contained. At the higher levels it may be certainly useful to have a selected corps of officers who may be transferred from one public undertaking to another. If any such service has to be formed, I think it is essential it should cover public undertakings in all the three forms — departments, corporations and companies and the number allotted to each public undertaking very limited so that the facilities of promotion of the officials of each undertaking may not be unduly curtailed.

Lastly, there is the important issue whether public undertakings should be monopolistic or run in competition with private undertakings. It is contended in favour of the latter alternative that the private undertakings will provide a standard of efficiency for the public undertaking. On the other hand, it should be remembered that a public undertaking is justified only if it is a public utility service and it should not be run solely on considerations of profit. There may be undertakings in which it may be legitimate to get a substantial profit to relieve the general tax-payer. There may be other undertakings which may have to be subsidised from general revenues. The balance of advantage seems to establish a monopoly where it is considered desirable to set up a public undertaking. It should also be a golden rule that where it is not considered expedient to establish a monopoly, no public undertaking should be set up and the field should be left to private enterprise.

taken place evenly. Industry has tended to concentrate in the States of Bombay and Bengal. Irrigation had developed mainly in Madras, Uttar Pradesh and Punjab. This was the result of the operation of free enterprise and provincial Autonomy. So long as the Government of India did not embark upon a planned economy, there was no particular feeling of injustice and bitterness. Now, the position has been reversed. There is a strong feeling that somehow or other industries should be set up in all States, that irrigation should be developed irrespective of cost and that social services should be brought to a common level.

This feeling deserves to be respected. The argument that increase of wealth in any part of India

accrues to the whole people is true only to a small extent. The immediate benefit of a big irrigation project is plenty of employment in its neighbourhood during the construction period and when it is finished a notable increase of prosperity for the people who benefit by the new irrigation of power. National prosperity through greater availability of food and factory products and some increase in central revenues is hardly felt in other parts. Similarly setting up a big factory in a State gives not only employment but is a source of further industrialisation and development of technical capacity of the people of the State.

Centralisation of Planning and Finance has made it possible for the country to embark on big national projects like Bhakara Nangal, Damodar Valley and Hirakud Projects in irrigation, and in the field of industry big projects like Sindri Fertiliser factory, Chittaranjan Locomotive Works, Neiveli Lignite Scheme and the big steel projects etc. This also meant the concentration of national capital in some States at least for the time being. It has now become the practice for every State to demand the construction of either a big dam or a big factory irrespective of the resources or desirability in the national point of view. The bitter controversies regarding the location of steel projects and recently of oil refinery for the crude oil produced in Assam indicate the gathering momentum of the conflict of national and regional interests.

The Plan endeavours to develop not only public enterprise but also to regulate the progress of private enterprise. This is no doubt essential but it induces a legitimate feeling that the Central Government is somehow responsible for the reluctance of private enterprise to set up factories in particular States. It is characteristic of private enterprise that it is gregarious. Factories tend to cluster in particular centres as thereby facilities for financing, marketing and labour are better provided. Though the Central Government may try to satisfy the clamour of the States by judicious distribution of licences for cement, sugar, textiles and other industries which are not entirely dependent upon the availability of raw materials near the factory, they cannot ensure personnel needed for the undertaking. It will be interesting to know how many licenses are lying unutilised. But the issue of such licenses has raised many hopes and if disappointed, they have political repercussions. In some States, this is leading the Governments to invest or participate in private enterprise without being in a position to ensure its successful working.

The amount invested by the Government of India in Public Industrial Enterprises was only Rs. 57 crores in the first Five-Year Plan while the investment of Private Enterprise was Rs. 340 crores. In the second Five-Year Plan Industrial Public Sector is expected to involve Rs. 500 crores as against Rs. 570 crores by Private Enterprise. Out of this Rs. 500 crores, Rs. 350 crores or more will go to the three Steel Plants. Therefore, only comparatively few public enterprises have been started under the Government of India and they are distributed amongst many States; Sindri in Bihar, Chittaranjan Locomotive Works in West Bengal, Perambur Coach Factory and Neiveli Lignite Scheme in Madras, Steel plants in Madhya Pradesh and Orissa, Shipyard in Andhra, Air Craft Factory and Machine Tools Factory in Mysore, Production of Thorium and D.D.T. in Kerala etc are few instances. But it is not

possible for any Government to ensure equal investment in every State during every Five-Year Plan.

One of the unfortunate results of this conflict of national and regional outlooks is that economic development is calculated by each State by the amount of money spent rather than by the results obtained. There is also a feeling that if only Government of India could be induced to construct a dam or set up a factory at huge cost it would matter little if it does not pay even interest on the capital for a long time. I am afraid that this is likely to be the case of Damodar Valley and the Hirakud projects and probably even of Bhakara Nangal. If this turns out to be the case, it will certainly be a source of just grievance to the people of the rest of India who will have to bear the burden in the end. If the people of Orissa, Bihar, West Bengal, Punjab are compelled to make good the deficiency of income from these projects from State taxation, the State Governments may find themselves in a difficult political position. Perhaps the problem may have to be solved by additional grants by the next Financial Commission.

Similar conditions held good in respect of social services. The expenditure on education in Madras and U.P. are equal though the population of U.P. is twice that of Madras. Similarly the development of Medical and public health and social services varies widely from State to State. It is natural for the backward States to think that it is due to the Planning Commission to bring them up to the level of the advanced States. It is equally natural for the advanced States to feel that they had taxed themselves in the past and developed the social services and it is unfair to slow down their development for the benefit of the backward States which had preferred low taxation to social development.

So far these differences between the States and the Central Government have not come to an acute stage as the same party is in power in the Centre and all the States but one. But for its rather precarious position, the Kerala Minister might be more assertive. If, at any time, there should be 3 or 4 State Ministries which belong to parties different from that of the Centre, this conflict may take a serious turn.

It is therefore wise to look ahead and see if Planning and Financing cannot be decentralised to some extent. It will be wise to progressively restrict the work of the Central Planning Commission to strictly Central Enterprises and so far as State Projects are concerned to have only the general power of co-ordination. In the matter of Finance also, the States should be encouraged and advised to raise their own resources for capital as well as revenue expenditure. Probably, the allotment of entire small savings raised in the State to that State and a share of the resources of the Life Insurance Corporation accruing from the State may meet the capital needs of the States. In the case of revenue expenditure, subject to the devolution of the Finance Commission, the State should be left to find its own resources. The present system of matching grants for innumerable minor projects evolved more or less on a uniform basis for the whole country is leading to waste and irresponsibility. If the Centre can afford more funds, it is better to give them to the State Governments and make them fully responsible for the development of State subjects like Education, Health and Cottage Industries. Now the Central Government is issuing crores for the development of social services and instead of getting 'thanks' is flooded with bitter complaints and insatiable demands.

Industrial Production

	1956				1957			
	1st Qr.	2nd Qr.	3rd Qr.	4th Qr.	1st Qr.	2nd Qr.	3rd Qr.	4th Qr.*
Diesel Engines ('000)	2.7	2.9	3.0	3.3	3.2	4.0	4.3	..
Grinding Wheels ('000 lbs.)	557.7	547.1	577.7	795.6	865.5	897.4	749.7	..
Twist Drills ('000)	280	444	394	431	397	443	762	648
Power Transformers ('000 K.V.A.)	183.6	217.8	244.5	264.3	297.1	270.9	328.8	..
Power Driven Pumps ('000)	10.8	11.4	11.1	12.6	14.5	14.9	15.2	..
Electric Motors ('000 H.P.)	75.9	84.9	93.0	114.1	104.3	107.9	126.9	117.3
Dry Battery (Lakhs)	367.0	447.2	531.0	468.8	458.1	398.7	456.0	333.2
Storage Battery ('000)	78.8	82.2	77.1	76.0	82.2	79.0	80.3	81.4
Automobiles ('000)	7.5	7.5	8.7	11.7	9.4	7.3	7.9	8.4
Electricity (Mill kwh.)	2302	2399	2400	2511	2549	2726	2770	2557
Copper ('000 tons)	1.8	1.9	2.0	1.9	1.8	2.0	1.9	2.0
Aluminium ('000 tons)	1.68	1.74	1.29	1.74	1.91	1.89	2.0	..
Antimony (Tons)	84	185	164	158	116	99	148	137
Coal (Lakh tons)	99	97	96	102	108	109	104	..
Cement ('000 tons)	1226	1228	1193	1282	1378	1297	1317	1659
Pig-Iron ('000 tons)	474	423	444	467	486	449	434	..
Finished Steel ('000 tons)	334	305	339	338	347	324	336	..
Sulphuric Acid ('000 tons)	43.2	40.5	44.1	41.1	42.4	46.8	51.8	..
Soda Ash ('000 tons)	22.2	18.6	18.3	24.9	24.2	22.6	21.3	23.3
Ammonium Sulphate ('000 tons)	99.6	116.1	95.7	117.4	100.3	84.7	93.9	..
Caustic Soda ('000 tons)	9.7	9.2	9.7	10.8	11.1	10.2	10.1	10.7
Bleaching Powder ('000 tons)	1.0	1.0	1.2	1.4	1.4	1.1	1.5	1.6
Liquid Chlorine ('000 tons)	3.8	3.5	3.7	4.1	4.1	3.6	3.8	3.8
Jute Textiles ('000 tons)	281.1	294.6	268.2	249.0	253.7	254.2	253.8	267.3
Cotton Yarn (M. lbs.)	398.7	403.5	431.7	437.1	450.0	440.7	445.1	435.0
Paper ('000 tons)	47.1	47.7	49.2	49.5	51.2	51.0	51.1	..
Asbestos ('000 tons)	27.6	28.2	30.9	32.7	39.6	36.1	39.5	41.4
Paint ('000 tons)	10.5	9.9	9.9	10.5	10.2	10.3	8.6	..
Tanned Hide ('000)	647.1	585.0	565.8	627.0	713.0	599.6	530.3	575.7
Rayon Yarn ('000 tons)	3.9	4.2	4.3	4.2	4.6	4.9	5.0	4.5
RUBBER TYRES AND TUBES								
(i) Automobile ('000 tons)	435.6	444.6	514.1	492.1	502.5	505.7	496.3	425.7
(ii) Bicycle ('000 tons)	3040.8	3166.3	3425.7	3060.3	3569.3	3700.7	3678.6	3248.2
(iii) Tractor ('000 tons)	7.7	19.2	18.5	16.1	20.7	24.8	26.7	22.0
Tea (M. lbs.)	22.9	167.5	300.6	172.8	27.3	156.2	294.6	..
Cotton Cloth (M. yds.)	1258	1325	1371	1352	1372	1337	1323	1295
Vanaspatti ('000 tons)	73.2	95.4	57.3	59.1	81.5	77.8	65.0	74.3
Sugar ('000 tons)	1043	442	120	445	1093	469	10	..
Footwear (Lakh prs.)	109.2	99.9	101.4	115.8	110.9	97.0	113.2	118.6
Sewing Machine ('000)	31.2	33.6	31.2	35.1	41.6	41.8	39.7	41.7
Electric Lamps (Lakhs)	65.7	75.5	80.1	85.9	85.5	83.4	84.2	77.8
Electric Fans ('000)	77.1	88.6	80.7	92.3	118.6	133.0	134.3	138.0
Radio Receivers ('000)	36.3	35.1	34.9	42.3	41.4	50.0	46.3	46.4
Bicycles ('000)	120.3	166.8	176.4	200.4	191.0	190.6	198.8	..
Matches ('000 cases)	145.2	149.4	151.5	142.5	147.8	141.2	139.2	..
House Service Meters ('000)	31.0	51.7	70.5	77.1	79.5	85.3	81.5	82.1

* Estimated—November figures have been assumed for December. ..Not available.

India's Balance of Payments

1956-57 and 1957-58 ((April — September)

(Rs. crores)

	1956-57				Total	1957-58		
	April-June	July-Sept.	Oct.-Dec.	Jan.-March		April-June	July-Sept.	Total (April-Sept.)
1. Imports c.i.f.	230.2	246.6	294.0	305.7	1,076.5	323.1	299.1	622.2
(a) Private	196.1	195.5	209.6	194.7	795.9	201.0	182.5	383.5
(b) Government	34.1	51.1	84.4	111.0	280.6	122.1	116.6	238.7
2. Exports	153.5	134.8	171.5	177.2	637.0	139.8*	127.3**	267.1
3. Trade Balance	-76.7	-111.8	-122.5	-128.5	-439.5	-183.3	-171.8	-355.1
4. Official donations (net)	9.6	8.3	7.6	14.3	39.8	5.0	1.5	6.5
5. Other Invisibles (net)	22.6	22.1	30.1	32.4	107.2	28.6	22.3	50.9
6. Official Loans	4.6	3.3	10.9	37.6	56.4	9.7	18.2	27.9
7. Other Capital Transactions (net)	-13.2	-8.9	-15.6	-1.3	-39.0	43.0	2.5	45.5
8. Drawings on I.M.F.	..	..	..	60.7	60.7	34.5	..	34.5
9. Errors and Omissions	-7.1	17.7	2.2	-17.4	-4.6	-7.7	23.7	16.0
10. Movement in Foreign Exchange Reserves (Decrease +)	-60.2	+69.3	+87.3	+2.2	+219.0	+70.2	+103.6	+173.8

* Excludes silver despatched to the USA valued at Rs. 64.8 crores

** " " " " " " Rs. 9.6 crores.

Agricultural Production 1953-54 to 1956-57

(In million tons unless otherwise indicated)

	Production				Targets of Production	
	1953-54	1954-55	1955-56*	1956-57**	1st Plan	2nd Plan
A. Foodgrains	68.72	66.60	65.29	68.69	61.6	80.5
(a) Cereals	58.27	55.73	54.46	57.25	52.5	67.5
(i) Rice	27.77	24.53	26.85	28.14	27.2	33.4
(ii) Wheat	7.89	8.78	8.57	9.07	8.3	11.6
(iii) Other cereals	22.61	22.42	10.04	20.04	17.0	22.5
(b) Pulses	10.45	10.87	10.83	11.44	9.1	13.0
B. Non-Foodgrains—						
(a) Total Oilseeds	5.29	6.24	5.71	6.03	5.5	7.6
(i) Groundnuts	3.39	4.13	3.86	4.09	—	5.1
(ii) Casterseed	0.10	0.12	0.12	0.13	—	0.17
(b) Sugarcane (in terms of gur)	4.42	5.76	5.98	6.75	6.3	7.8
(c) Cotton (million bales)†	3.94	4.23	4.00	4.72	4.2	6.5
(d) Jute (million bales)‡	3.09	2.93	4.20	4.22	5.4	5.5
TOTAL AGRICULTURAL PRODUCTION (INDEX)***	114.3	116.4	115.9	123.0		

* Partially Revised Estimates.

** Final Estimates.

*** Agricultural Year 1949-50 = 100.

† Bales = 392 lbs.

‡ Bales = 400 lbs.

Printed and Published by Devi Prasad Sharma at the Hindustan Times Press, for "The Eastern Economist" Ltd., 52, Jan Path, New Delhi. Editor:—E. P. W da Costa, M. A. (Oxon.)

The Foreign Exchange Situation

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The Foreign Exchange Problem

IN this Blue Supplement an attempt is made to reassess India's Foreign Exchange problem, particularly in relation to the second Plan. During last twelve months the position has altered frequently; firstly, as a result of changing estimates in respect of requirements for the hard core, whether in the public or private sector, and secondly, because of the finalisation of several agreements by which foreign exchange has been underwritten, at least substantially for the current year and to some measure beyond it. A part of this Blue Supplement is descriptive—describing the change that has come over the Foreign Exchange gap in the last twelve months as a result of these two factors.

While the first two articles that follow are descriptive and designed to set out the new order of magnitudes both in respect of needs and likely supplies, the others are designed to go beyond the existing position to indicate corrections in policy which make the solution of this problem less arduous. In particular, an article in this issue deals with commitments of foreign exchange which are outside the hard-core and, therefore, to some extent matched with lower priority. Not all items outside the hard core can be so described, as the maintenance of existing production is of almost equal importance as the fulfilment of the hard core. It is indicated that the current supply of Foreign Exchange available is barely sufficient to cover the hard core and the immediate needs of the major industries in raw materials and stores. The conclusion is, therefore, drawn that the time is appropriate for a total black-out of imports of all items not included in the hard-core, or in the current production schedule on the highest priority.

This black-out obviously cannot leave untouched some items of Defence expenditure, vested with a degree of priority which can well be questioned. Similarly, a qualification needs to be made in respect of items of imports which can conceivably be financed by deferred payments and, therefore, which do not at the moment impinge on our foreign exchange resources. It is, however, very easy to overdo imports on deferred account, and it is arguable that, if these resources are available, they should be used for filling the gap in raw material resources before they are employed to import capital goods.

The broad conclusion remains that the foreign exchange position, while it has improved in the last six months, is critical in the sense that our commitments are greater than the foreign exchange available at the present time. Some corrective action is, therefore, immediately called for, and it is believed that this action should be taken by restricting excessive imports under Defence as also by a rephrasing of imports on current or deferred accounts, so that higher priority is given to raw materials and essential stores than to capital goods. It is not true at the present time that the capital goods being imported are entirely for the hard core; nor are they all of high priority.

The volume of foreign exchange which may be saved by a change of policy may not be very large in the total context of the foreign exchange now to be consumed. It is, however, to correct a marginal disequilibrium that a marginal policy is here advanced. It cannot be argued that this marginal policy is unnecessary, if it is admitted that the marginal disequilibrium exists.

Priority Imports and Foreign Exchange

A VAILABLE means are always scarce in relation to ends. The claims of competing ends on scarce means in recent years have been more in evidence on the foreign exchange front than elsewhere in India's planned economy. These competing ends pertaining to commodity imports may be broadly classified as: (1) defence stores and armaments; (2) food grains; (3) capital goods and machinery; (4) industrial raw materials and stores; and (5) consumer goods. Imports on all these counts on "Private" and "Government" accounts were Rs. 1,077 crores in c.i.f. value in 1956-57 or just under Rs. 90 crores, on an average, per month. In the first seven months of 1957-58 such imports on both accounts (excluding certain Government stores) were Rs. 580 crores or just under Rs. 83 crores, on an average, per month.

India's commodity exports, on the other hand, during the two periods were Rs. 637 crores and Rs. 377 crores respectively. The result was a total trade deficit of Rs. 643 crores in the 19-month period from April 1956 to October 1957. The larger part of this adverse balance of trade was reflected in a fall in the country's foreign exchange reserves from Rs. 746 crores as at the end of March 1956 to Rs. 327 crores as at the end of October 1957. Considering that the foreign balances have fallen by only Rs. 60 crores in the 5-month period from November 1957 to March 1958 as against Rs. 200 crores in the 7-month period from April 1957 to October 1957, it may be broadly inferred that the adverse balance of trade in 1957-58 should have been about two-thirds of the deficit of Rs. 440 crores in 1956-57. The month-to-month drain on foreign balances may be noted in the table given alongside.

Both the trade deficit and the drain on foreign exchange reserves were considerably more than what the Planning Commission had originally estimated for the earlier years of the second Plan. In its note to Parliament last month on the fall in foreign exchange reserves, the Commission has stated that "the rise in imports and consequent drain on foreign exchange resources is itself attributable mainly to the attempt to carry out the second Five-Year Plan. But the shortage has been to some extent aggravated and hastened by the following factors: (1) the heavy demands of defence; (2) the need to import more food grains than was originally contemplated; (3) the increased requirements of raw materials, components, spares, replacements, etc., for matching the higher levels of industrial production reached in 1955 and 1956 for which some allowance was made in the Plan estimates but has proved to be inadequate; (4) rather higher imports of consumer goods in the years 1955-56 and 1956-57 compared with earlier years, and (5) increases in prices and freight rates." The Commission has examined the causes in the light of some figures.

This examination is useful in so far as it throws some light on where the real upsetting factors lay. Defence, for example, accounted for an 'additional' foreign exchange expenditure of Rs. 30 crores, on an average, per annum in the first two years of the second Plan as compared to 1955-56. Food grains were responsible for an additional annual expenditure of about Rs. 50 crores. The increase in prices and freight rates was also responsible for some additional expenditure which could be roughly estimated at an annual average of Rs. 45 crores. Consumer goods, on the other hand, not only did not cause any additional foreign exchange expenditure but were actually responsible for an annual average saving of Rs. 25 crores in the first two years. If the aforesaid first three upsetting factors which were together responsible for an additional expenditure of

Rs. 125 crores, on an average, per annum had not been there, the drain on foreign balances would have been correspondingly less in the two early years of the Plan.

As for capital goods and machinery and producer goods (industrial raw materials and stores), they had the highest priority under the Plan. The higher levels of industrial production in the first two years necessarily involved considerably higher imports of raw materials and stores for industries. These goods have accounted for an additional foreign exchange expenditure of about Rs. 210 crores, on an average, per annum in the first two years. As for capital goods and machinery, their imports were responsible for an additional expenditure of about Rs. 60 crores, on an average, per annum in the first two years as compared to 1955-56. It would thus appear that an additional expenditure accounting for a total of Rs. 540 crores for the first two years was wholly justifiable in terms of higher industrial production and of development under the second Plan.

The above account has not covered firm foreign exchange commitment which will have to be honoured

STATE OF FOREIGN BALANCES

(In crores of rupees)

Last Friday Figures	Foreign Securi- ties	Balances held abroad	Sterling Balances	Vari- ation
January 1955	653.21	76.40	729.61	—
February	663.15	65.50	728.65	— 0.96
March	646.85	83.15	730.00	+ 1.35
April	661.98	53.19	715.17	—14.83
May	661.98	48.46	710.44	— 4.73
June	652.04	63.93	715.97	+ 5.53
July	637.04	80.03	717.07	+ 1.10
August	622.04	95.50	717.54	+ 0.47
September	671.82	47.66	719.48	+ 1.94
October	627.10	85.27	712.37	— 7.11
November	647.07	72.63	719.70	+ 7.33
December	686.80	48.30	735.10	+15.40
January 1956	667.07	67.05	734.12	— 0.98
February	667.16	67.66	734.82	+ 0.60
March	656.42	89.72	746.14	+11.32
April	681.45	44.20	725.65	—20.40
May	681.45	30.69	712.14	—13.51
June	646.55	34.97	681.52	—30.62
July	616.68	42.75	659.43	—22.09
August	606.68	24.94	631.62	—27.81
September	586.74	28.33	615.07	—16.55
October	492.02	90.23	582.25	—32.82
November	457.24	79.29	536.53	—45.72
December	447.30	82.61	529.91	— 6.62
January 1957	427.43	83.18	510.61	—19.30
February	412.52	106.35	518.87	+ 8.26
March	412.52	114.31	526.83	+ 7.96
April	412.52	92.39	504.91	—21.92
May	412.52	42.55	455.07	—49.84
June	412.52	40.82	453.34	— 1.73
July	400.52	19.69	420.21	—33.13
August	360.52	19.34	379.86	—40.35
September	326.62	25.90	352.52	—27.34
October	311.71	15.39	327.10	—25.42
November	280.19	29.30	309.49	—17.61
December	275.23	22.42	297.65	—11.84
January 1958	245.54	37.75	283.29	—14.36
February	245.54	34.25	279.79	— 3.50
March	171.19	95.81	267.00	—12.79

April 4, 1958.

in the near future. According to the Planning Commission's note, such commitments outstanding on Government and Private Account as on 30th September, 1957 were Rs. 590 crores and Rs. 400 crores respectively. Assuming that no fresh commitments were entered into in the period October 1957-March 1958, one may put the outstanding commitments as at the end of March this year at Rs. 920 crores after taking into account the utilisation (about Rs. 65 crores) of authorised external assistance in that period. As against this requirement of Rs. 920 crores mostly on account of hard core projects, the unutilised part of external assistance authorised so far would be anything between Rs. 560 crores and Rs. 575 crores. There will thus be a gap of about Rs. 350 crores on account of firm commitments alone or at the most Rs. 400 crores including an estimated Rs. 50 crores on account of non-Plan projects. This, of course, is not the entire requirement of additional foreign exchange. The likely requirements on account of Defence, Food Grains and Producer Goods imports in the three years 1958-61 may be broadly estimated at about Rs. 870 crores on the five-fold assumption that the outstanding heavy defence commitments (for which the Planning Commission has not given any figures but which it has described as "exceedingly heavy") may involve the same additional average annual foreign exchange expenditure of Rs. 30 crores as in the first two years 1956-58; that food

grain imports may also involve the same additional average annual foreign exchange expenditure of Rs. 50 crores (excluding P.L. 480 food credits which do not involve any foreign exchange commitment and the recent Canadian wheat loan which will not involve any foreign exchange expenditure in the remaining three years of the second Plan) as in the first two years; that capital goods and machinery imports may continue to be covered by deferred payment arrangements; that industrial raw materials and intermediate producer goods may involve at least Rs. 225 crores of additional foreign exchange expenditure in each of the three years 1958-61 as compared to 1955-56; and that the export drive may result in an additional foreign exchange earning of Rs. 15 crores, on an average, per annum in those three years. As against this estimated requirement of Rs. 870 crores of foreign exchange over and above all the likely earnings of foreign exchange on trade account in the three years, it is just possible that there may come about a saving in foreign exchange to the tune of Rs. 70 crores (for all the three years) on account of consumer goods imports which may continue to be under stringent control. It is a moot point how a likely deficit of Rs. 800 crores on all the counts referred to in this paragraph is going to be covered. Further draws from sterling reserves and earnings on account of "invisibles" may cover only a small part of this deficit.

The New Look of Foreign Aid

SINCE the foreign exchange crisis in the execution of the second Five-Year Plan demanded concentrated attention on devising ways and means to close the gap in our external resources, a good deal has happened which has given a new look to the overall pattern of foreign assistance from different friendly agencies. During the past year in particular the intensified efforts to narrow down the gap, at least to the extent of procuring foreign currency resources to put through the core of the Plan, have borne enough fruit to generate confidence that quarter should not be given to pessimism under any circumstances.

In fact, there never was any room for an attitude of defeatism. The World Bank has from the beginning shown a sympathetic attitude to India's approaches to it for assistance. This was, of course, due to the fact that the loan assistance which India asked for fitted into the pattern of the Bank's loan policy and the state of the Indian economy was found to be sound on the different occasions when the technical teams of the Bank came here for investigations. Of course, it goes without saying that the individual projects, mostly in the public sector and some in the private sector, for which loan assistance was requested, stood the tests laid down by the Bank. During the last financial year 1957-58, India has received commitments of sanctions of loans from the World Bank for projects which constitute parts of the core of the Plan. It is essential to recall the individual loans sanctioned last year, although in a brief manner.

A loan of Rs. 43 crores was granted to the railways to meet the foreign exchange part of the development programmes which were either under way or put under suspension for the time being early last year. The loan has paved the way for the acquisition of rolling stock and steel, to mention the important items of procurement from overseas. In the public sector negotiations have proceeded a good deal for loans for the electric Project in Bombay State. The acute problem of congestion in the major ports of India demanded priority attention. The problem could be tackled, although not in the most proximate context, yet in the near context, by a bold plan of development outlay.

A substantial part of this outlay, which involves modernisation and mechanisation of port facilities, requires foreign currency. It is now a foregone conclusion that port development will receive loans in the very near future from the World Bank. The major ports of India will be enabled to raise their capacity for handling inward as well as outward traffic all of which rests on a basis of priority. In the private sector, the Tata Iron and Steel Company has been granted a loan by the World Bank for its development plan. The amount of the loan is Rs. 15 crores. Together with this assistance, TISCO's resources for its expansion programme have been fully provided for. Another loan of Rs. 5 crores has been granted by the Bank to Tatas for the completion of their project of the thermal station at Trombay.

Apart from the assistance which India has obtained from the World Bank for the hard core projects drawn from both the sectors, a number of agreements for aid have been concluded. Most of these agreements amount to schemes of deferred payments either on account of liabilities which had matured for future programmes. These of foreign exchange for future programmes. These agreements have been discussed in broad detail in another article in this Supplement. In addition to the relief in the immediate liabilities of expenditure of foreign exchange which has come via deferred payment credits, India has succeeded in concluding agreements of financial aid from friendly countries. To mention one earlier agreement of assistance, the Government of the U.S.S.R. has undertaken to provide a credit of 500 million roubles, equivalent to Rs. 60 crores, which will be made available to India by the supply of equipment for setting up the heavy machine building plant, the plant for the manufacture of coal mining machinery, an optical plant, a thermal power plant and machinery for the Korba coalfield. The agreement also includes provision for the supply of technical assistance the details of which are to be worked out in respect of each individual enterprise.

Among the Commonwealth countries, Canada has offered generous assistance in the form of authorisation of \$21 million as her part of aid to India under the Colombo Plan. Her additional relief to the pressure

on our foreign exchange resources in the nature of a special grant of \$7 million for the purchase of wheat deserves mention, although it is outside the core of the Plan. But in this connection it is always safe to remember that advance provision for food imports offers insurance against possible diversion of foreign exchange resources for import of food under the stress of emergency. The United Kingdom Government has, on its own motion, arranged to release in advance three annual instalments of £4 million each payable by it to the Government of India in pursuance of the agreement for the transfer of pensions. Sterling exchange is always of direct use to meet import obligations from practically any source of supply outside the dollar world. How the general climate of assistance even from Communist countries is improving, to reinforce confidence in the implementation of the core of the Plan, is illustrated by the readiness of the Government of Rumania to provide resources for establishing an oil refinery in Assam, of course, in the public sector. The announcement of this proposal was made by the Rumanian Prime Minister on the occasion of his visit to India recently. The financial and technical details of the projected agreement are being worked out.

Undoubtedly the most outstanding agreement of assistance that was recorded in the last financial year was the one of the \$225 million aid from the United States of America. This announcement, which came early in the current calendar year, augurs well for the remaining period of the Plan. Actually, the entire amount of the \$225 million is intended to be spent within twelve months. This is at once a source of great immediate relief and assured hope for more help to follow in the last two years of the present Plan. This aid is to come from two sources. \$150 million worth of credit are to be provided by the US Export-Import Bank and \$75 million are to be provided out of the US Development Loan Fund. An important feature of this assistance is that it will go to finance projects to some extent in the private sector also. The major part, however, goes to the public sector.

The credit of \$150 million from the US Export-Import Bank is to be utilised for the procurement of capital equipment, machinery and services required for the execution of the following specified programmes: irrigation and reclamation, power, transport and communications, mining, fabrication of heavy structurals and electric equipment and machine tools—all forming part of the core of the Plan. Some allowance has been made for assistance to programmes outside the core projects. Thus textiles and chemical industries have been declared to be eligible for assistance from this aid. The flow of aid from the Export-Import Bank

has already got off to a start. The joint communique issued by the representatives of the Governments of the USA and India has disclosed that not only the post-communique procurements but also payments already made in the USA from the 1st of March onwards in respect of these specified programmes will be qualified for assistance by being reimbursed from the amount of this credit. In pursuance of the policy adopted by the Export-Import Bank for its assistance, all the goods to be covered by its credits are to be purchased from the USA. The rate of interest on the loan of the Export-Import Bank is fixed at 5½ per cent and the credits are to be repaid in fifteen years, the first instalment falling due on January 15, 1964.

The loan of \$75 million made available from the US Development Loan Fund is to be utilised for four categories of projects. \$25 million will be available for the requirements of road transport projects. The goods to be procured will be components for complete assembly of trucks, buses and jeeps. It is estimated that 16,000 vehicles of the three types will be supplied with this amount. The bulk of this credit of the order of \$40 million is earmarked for the import requirements of the railways. Structural steel and other kinds of steel required by the railways for rolling stock as well as other equipment can be procured with this credit. It is estimated that it will facilitate production of 300 steam locomotives, 20,000 goods wagons, 600 passenger steel coaches and 2,500 under-frames. It is thus obvious that \$65 million out of the total credit of \$75 million will go to finance the core projects. The balance of \$10 million has been made available in equal shares of \$5 million each for the machinery and equipment required by the cement and jute industries. This credit of \$10 million is extraneous to the core of the Plan. It is significant that the terms stipulated for the credit of \$40 million for railways are liberal. The rate of interest on it has been fixed low at 3½ per cent, while the amount is repayable in forty half-yearly instalments. The credits for road transport (\$25 million) and cement industry (\$5 million) as well as the jute industry (\$5 million) will bear interest at the rate of 5½ per cent, the aggregate amount being repayable in 30 half-yearly instalments.

The foregoing brief description of the major deals of foreign assistance, concluded during the last year, gives positive assurance that more aid will follow from these friendly countries. In particular America will extend assistance on the same scale, and probably even on a larger scale, as announced in the case of the \$225 million aid. This order of assistance can be interpreted to indicate that the core of the Plan has been underwritten.

Private Foreign Investment and the Gap

ONE question, in view of the fact that this country must over the next few years, and indeed for the long period of planning until perhaps the fourth or the fifth plan is completed, is whether private investment can assist our deficit on trade which may be of the order of between Rs. 250 to Rs. 300 crores on an average. It is clear that, unless private foreign investments rise to something like this level, the continuance of aid in one form or another is inescapable. The judgment is now to be made as to the chances that private foreign investment over the next few years will reach a figure of this order.

The actual flow of private foreign investment into India over the period from 1948 to 1955 was indicated in the Census of India's Liabilities and Assets of the Reserve Bank of India.

The normal trend indicated by these figures is to show a steady rise in the rate of investment, but at the same time to indicate annual level of only Rs. 17 to Rs. 18 crores. Even if this rate should double, and private foreign investment after 1957 should be reckoned at Rs. 40 (or even Rs. 50) crores it is clear that it provides no solution to the payments problems.

The question arises whether events in the last twelve months have changed the order of magnitude both abroad and in India about investments in this country. Certainly there has been an agreeable change in outlook in the Indian Union. At the present time there is a welcome and a sustained interest in India given to private foreign investment, although it is indicated that preference will be given to schemes which dovetail into the Plan, or into gaps in the economy. Conditions, however, vary from country to country.

There can be no question that in the short period there has been a remarkable change in outlook and that many private investors not previously interested in this country are now undertaking investigations on the possibility of investment here, or have already made decisions. The range of new investment is wide, with the Assam Oil Company at one end with its agreement with the Government of India to form Oil India Private Limited; on the other hand, there are numerous Swiss firms that are coming in on chemical projects. As has been indicated in a recent issue of 'The Eastern Economist', Bengers Laboratories are also coming in the pharmaceutical field. There are also many proposals which are being actively studied in the Ministry of Commerce and Industry. At this time, a significant increase in the tempo of investment is implicit in the wide range, and the large increase in the number, of applications under study.

It is impossible to assess exactly the course of this factor, but it is not unlikely that the rate of investment in the Indian Union will be greatly affected from 1958 onwards. Assuming that the rate of investment, there-

fore, is Rs. 50 crores per year, one of the targets for private investment in the second Plan will be exceeded. It is not unlikely, on present showing, that the actual figures will be much more in the range of Rs. 200 crores against Rs. 100 crores in the Plan. Thus, there is at least one significant element which has worked in India's favour.

It is, however, to be remembered that not all these new investments have devetailed into the Plan and not a little—perhaps half—will place new demands on both transport and managerial resources, not contemplated at the time of formulating the second Plan. On the other hand, the availability of foreign exchange of an additional hundred crores cannot be treated as anything but a substantial gain. This trend is not a flash on the pan, but a steadily rising stream and should give special force to the point that private foreign investment in India has now become a significant element in the solution of our foreign exchange difficulties. There is at least a suggestion that our need for aid will decline steadily as the years advance.

Deferred Payments

IN view of the difficult foreign exchange situation it was decided more than a year ago by the Union Finance Ministry that for industrial projects, whether in the core of the Plan or outside, an attempt should be made to seek deferred payments from suppliers. Grave doubts were raised when the scheme was for the first time initiated whether it would be successful. It was believed that it would not be possible to obtain deferred payments on a sizeable scale. Concerted efforts made both by the Government and the Private Sector have, however, borne fruitful results.

The Union Government has already entered into an agreement with West Germany in regard to payments for the Rourkela Steel Plant. This agreement enables the Union Government a postponement of payments for the Rourkela Steel Plant by three years. This has meant deferred credit facilities amounting to nearly Rs. 75 crores. It will be remembered, however, in this case that German equity capital was repaid and that in effect deferred payments were in part a withdrawal from the over-confident position we once adopted.

The Soviet Government has also agreed to accept deferred payments for the Bhilai Steel Plant. A sum of Rs. 15.5 crores which was due early this year will now be paid at the end of three years.

France and Japan have also come forward with substantial credit facilities. The French offer of 25 billion francs (Rs. 28 crores) consists of export credit guarantee facilities on the same lines as Britain has offered in the past through its Export Credits Guarantee Department. These facilities are available both for the public and the private sectors. This assistance of even a limited nature is of great value in view of the foreign exchange crisis. The credit of 18 billion Yen (Rs. 24 crores) offered by Japan will be spread over a period of three years. The credit will be extended through the Japan Export-Import Bank. This credit is to be utilised for purchases of railway equipment, hydro and thermal power generation and transmission and dam construction equipment, coal mining and processing equipment, ore mining and processing equipment, ships, industrial machinery, fertilisers, machine tools, etc.

It is estimated that the total deferred payment facilities received so far by the public sector approach nearly Rs. 150 crores. This sum includes estimated credit facilities offered by Czechoslovakia at Rs. 20 crores.

The private sector also has been able to obtain substantial facilities of deferred payments. In the first

few months after the scheme of deferred payments was initiated attempts were made in the private sector on individualistic basis and without any co-ordination. The current estimates show that the private sector has been able to obtain more than Rs. 50 crores of deferred credits. In all, therefore, deferred payments obtained both by the public and private sectors amount to more than Rs. 200 crores.

A feature of the new loan advanced by the US Government is that a part of the dollar credit obtained from the Export-Import Bank of the United States enables certain industrial projects of importance to be financed without any condition regarding deferred payments. The Government has, therefore, advised industrialists in the following five industries to avail of the facilities provided by the Export-Import Bank loan for completing the projects in these industries. The industries are: 1. Engineering, 2. Chemicals, 3. Cotton Textile, 4. Automobile and 5. Coal Mining.

A fact which needs to be remembered is that deferred payments constitute only a postponement of liability. The future budgets of India must therefore be so phased that no difficulty occurs. The table below sets out the programme of future payments.

1958-59	..	..	Rs.	23	crores
1959-60	..	..	"	35	"
1960-61	..	..	"	95	"
1961-62	..	..	"	123	"
1962-63	..	..	"	103	"
1963-64	..	..	"	48	"
1964-65	..	..	"	37	"

One of the ways out of this extreme pressure on India's foreign exchange resources in the coming years is that the Union Government should encourage an in-flow of foreign capital in the shape of business participation. The withdrawal of the compulsory deposit scheme by the Finance Ministry only a few days back was a step in the right direction because this particular tax measure came in for very bitter criticism by the foreign investors.

The bulge in repayments in 1961-62 and 1962-63 coincides with the opening of the third Five-Year Plan. Since that Plan cannot be smaller than the second, it is obvious repayments will have to be effected in part by new borrowings. This is not a bear point, since in the present climate of political opinion in the United States, the underwriting of gaps of this small order are fairly certain.

CATEGORY-WISE BREAK-

1955-56, 1956-57 and

	April-June 1955	July-Sept. 1955	Oct.-Dec. 1955	Jan.-March 1956	Total 1955-56
I. CONSUMERS GOODS	30.34	28.64	30.37	32.92	122.27
1. Food, drink and tobacco	11.18	6.93	6.92	9.39	34.42
2. Drugs and medicines	2.79	3.04	3.50	3.07	12.40
3. Cutlery and hardware	5.61	5.84	5.40	5.72	22.57
4. Electrical goods	4.45	4.83	4.05	5.24	18.57
5. Others	6.31*	8.00*	10.50*	9.50*	34.31*
II. RAW MATERIALS & PRODUCE	41.37	44.64	39.84	46.67	172.52
1. Mineral oils	15.64	15.36	18.40	15.47	64.87
2. Cotton, raw and waste	15.78	15.00	8.81	18.01	57.60
3. Jute, raw and waste	3.85	4.48	4.30	5.68	18.31
4. Others	6.10	9.80	8.33	7.51	31.74
III. INTERMEDIATE GOODS	25.27	31.52	34.26	42.68	133.73
1. Chemicals	5.34	5.13	4.82	6.54	21.83
2. Dyes and colours	3.43	5.27	3.57	3.35	15.62
3. Metals, iron & steel and manufactures thereof	9.16	11.29	15.78	22.10	58.33
4. Metals other than iron & steel	4.58	6.33	5.89	6.89	23.69
5. Textile yarns and manufactures	2.76*	3.50*	4.20*	3.80*	14.26*
IV. CAPITAL GOODS	42.85	33.19	36.46	40.93	153.43
1. Machinery	31.29	23.60	25.36	27.36	107.61
2. Vehicles (including locomotives)	8.57	7.88	10.02	11.15	37.62
3. Ships, aircrafts and parts	2.99	1.71	1.08	2.42	8.20
V. OTHERS	4.88*	6.20*	6.35*	7.29*	24.72*
TOTAL	144.71	144.19	147.28	170.49	606.67†

*Estimated.

**Private Imports (Based on E.C.D. Data).

†This is slightly less than the total of Rs. 611.7 crores shown in the text.

CATEGORY-WISE BREAK-

1955-56, 1956-57 and

	April-June 1955	July-Sept. 1955	Oct.-Dec. 1955	Jan.-March 1956	Total 1955-56
I. FOOD, DRINK AND TOBACCO	36.5	40.2	53.3	51.7	181.7
Tea	15.3	26.4	34.1	34.8	110.6
II. RAW MATERIALS AND PRODUCE AND ARTICLES WHOLLY UNMANUFACTURED	56.1	54.8	56.5	60.0	227.4
1. Cotton, raw & waste	7.9	11.7	13.0	13.0	45.6
2. Vegetable oils	12.9	9.7	9.0	8.5	40.1
3. Hides and skins, raw and tanned	7.8	7.3	8.3	9.6	23.0
4. Metal ores	6.1	7.3	7.4	8.9	29.7
5. Manganese ore					
III. ARTICLES WHOLLY OR MAINLY MANUFACTURED	66.7	59.3	61.1	67.3	254.4
1. Jute manufactures	31.5	26.9	28.8	33.1	120.3
2. Cotton manufactures	23.9	22.1	19.8	20.6	86.4
IV. OTHERS	2.9	1.7	1.9	1.9	8.4
TOTAL (c.i.f.)	162.2	156.0	172.8	180.9	671.9
Less estimated freight & insurance, etc.	9.2	6.4	7.4	7.8	30.8
Exports f.o.b.	153.0	149.6	165.4	173.1	641.1

* Based on E.C.D. Data.

DOWN OF IMPORTS**

1957-58 (1st half)

(Rs. Crores)

April-June 1956	July-Sept. 1956	Oct.-Dec. 1956	Jan.-March 1957	Total 1956-1957	April-June 1957	July-Sept. 1957	Total, April- Sept. 1957
36.01	38.49	38.59	34.44	147.53	37.09	28.02	65.11
9.05	10.58	10.42	8.99	39.04	9.09	5.29	14.38
3.42	3.73	3.48	3.38	14.01	4.36	4.08	8.14
7.67	7.17	6.75	6.84	28.43	6.90	4.81	11.71
5.83	5.73	7.21	6.05	23.82	7.03	6.34	13.37
10.04*	11.28	10.73	9.18	41.23	9.71	7.50	17.21
46.21	40.73	46.13	39.45	172.52	40.03	34.64	74.67
20.37	19.59	18.73	18.62	77.31	20.00	16.05	36.05
14.08	10.59	14.14	9.41	48.22	6.09	7.03	13.10
2.03	1.84	2.76	1.23	7.86	1.52	1.63	3.15
9.73	8.71	10.50	10.19	39.13	12.44	9.93	22.37
52.90	55.81	59.54	50.14	218.39	49.97	49.37	99.34
7.31	7.13	7.90	6.64	28.98	5.63	6.18	11.81
3.75	3.90	3.68	3.61	14.94	3.61	3.96	7.57
29.49	30.17	32.67	27.03	119.36	26.81	26.06	52.87
7.79	9.52	10.70	9.19	37.20	10.17	8.90	19.07
4.56*	5.09	4.59	3.67	12.91	3.75	4.27	8.02
51.28	49.93	56.50	53.24	210.95	56.51	52.79	109.30
36.43	34.74	40.74	39.29	151.20	44.32	41.34	85.66
11.38	11.98	10.68	11.57	45.61	10.85	9.25	20.10
3.47	3.21	5.08	2.38	14.14	1.34	2.20	3.54
9.67*	10.55	8.89	17.47	46.58	17.41	17.72	35.13
196.07	195.51	209.65	194.74	795.97	201.01	182.54	383.55

DOWN OF EXPORTS*

1957-58 (1st Half)

(Rs. Crores)

April-June 1956	July-Sept. 1956	Oct.-Dec. 1956	Jan.-March 1957	Total 1956-1957	April-June 1957	July-Sept. 1957	Total, April- Sept. 1957
48.6	44.4	62.6	58.0	213.6	38.4	40.3	78.7
30.4	27.5	46.7	44.7	149.3	17.3	21.1	38.4
50.5	37.8	48.7	52.9	189.9	47.8	39.4	87.2
6.8	4.1	4.9	7.9	23.7	7.2	2.6	9.8
10.2	4.5	6.0	4.8	25.5	4.6	4.6	9.2
8.0	5.8	8.2	8.4	30.4	8.4	6.7	15.1
4.6	3.9	6.0	5.3	19.8	4.0	3.3	7.3
4.2	4.4	5.5	7.0	21.1	6.2	6.4	12.6
59.2	58.2	65.9	72.6	255.9	56.5	52.0	108.5
26.8	30.0	32.3	37.1	126.2	25.0	22.4	47.4
19.8	17.0	20.3	23.2	80.3	20.1	19.1	39.2
2.1	1.8	2.3	2.1	8.3	2.4	2.0	4.4
160.4	142.2	179.5	185.6	667.7	145.1	133.7	278.8
6.8	7.5	8.0	8.5	30.8	5.3	6.4	11.7
153.6	134.7	171.5	177.1	636.9	139.8	127.3	267.1

The Pattern of Growth: 1929-30—1960-61

THE pattern of growth of the sugar industry in India is best set out in Table I and the graph below. It will be seen that between 1929-30 and 1935-36, the sugar industry received a great impulse when production multiplied nearly 19 times. During this period, the total number of factories producing sugar direct from cane increased by about 400 per cent from 27 to 137. The growth of the industry was rapid after the grant of protection in 1932. The Tariff Board recommended a protection period of 15 years, perhaps the longest period of protection recommended for any industry.

As an immediate outcome of protection, the number of factories increased from 57 in 1932-33 to 137 in 1935-36. The output of the factories, therefore, more than trebled during the same period. From a level of 290,000 tons in 1932-33, it rose to 932,100 tons by 1935-36. Production of these factories attained a new peak at 1,207,800 tons in 1939-40. This was indeed more than the domestic market could absorb. The Governments of U.P. and Bihar had, therefore, to enforce a progressive reduction in the production of the sugar factories. The policy of reduction produced immediate results and by 1941-42, production touched the very low level of 751,400 tons—60 per cent of the production in 1939-40. Thereafter, the output of these factories kept on rising steadily till it regained the old level in 1943-44.

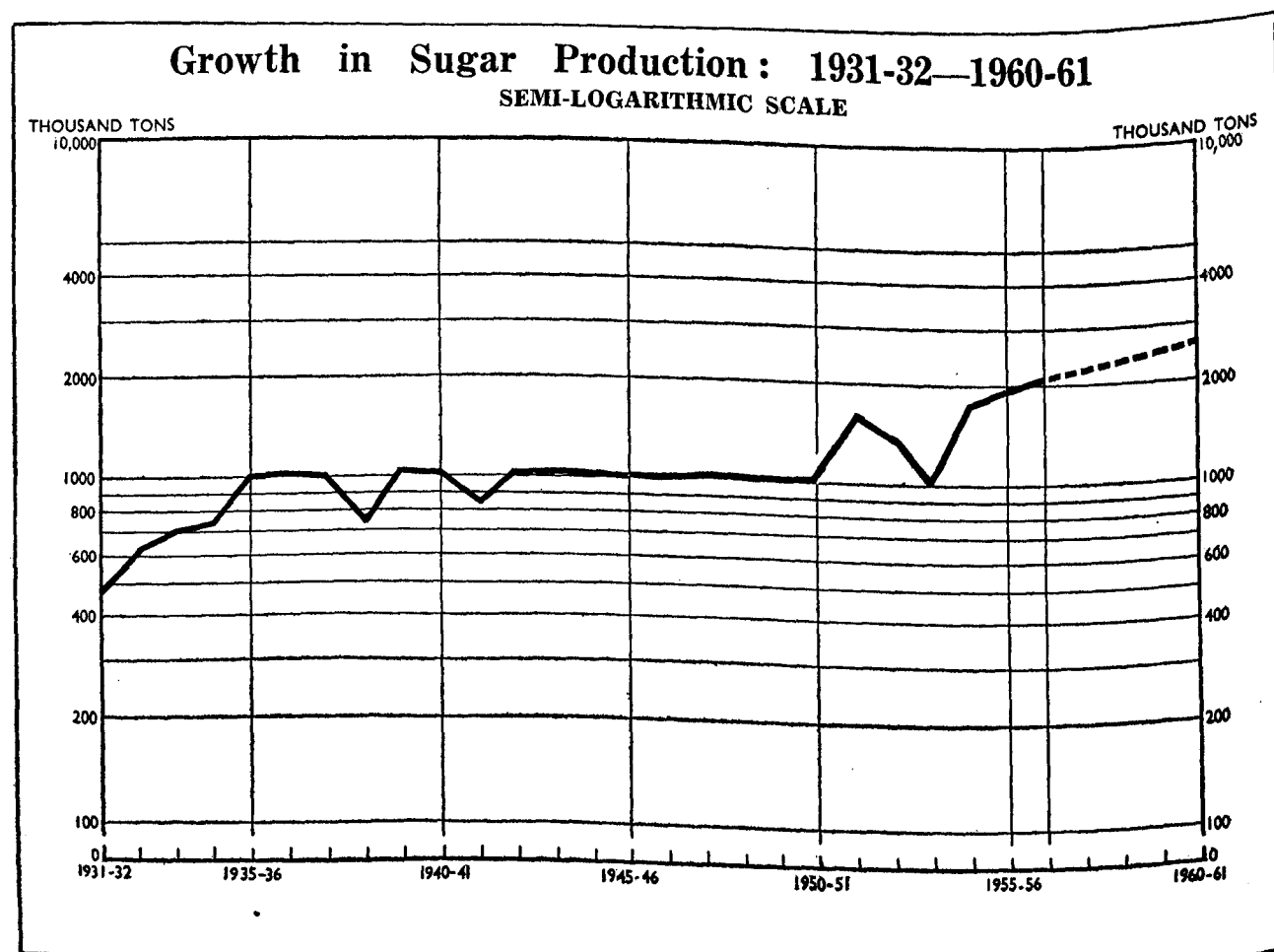
The graph I below shows the growth of the industry in terms of production on a "ratio" scale. All graphs drawn on a "ratio" scale (or a semi-logarithmic scale) highlight the rate of growth of the industry from year to year by showing rates of growth and not absolute quantities. It will be seen from this graph that the dynamic impulse had almost spent itself by 1935-36 and that between 1935-36 and 1950-51, the industry re-

mained almost at a static level. There were only small fluctuations both in the number of factories and the volume of output.

On the eve of Independence, the output of the industry was a little above 10 lakh tons. Steadily, with minor fluctuations, the volume of output started rising till it attained a new peak at 15 lakh tons in 1951-52. Except for the setback in 1953-54 when production fell back to 10 lakh tons again due to the failure of the sugarcane crop, the level of output has been steadily rising.

During the first Plan, the performance of the industry was indeed creditable. The percentage increase in the output of the sugar industry in the first Plan period was much greater than that of any other major industry. As against a rise of 33 per cent in iron and steel, 78 per cent in cement, 58 per cent in paper, 40 per cent in cotton textiles and 12 per cent in jute, the sugar industry recorded a rise of 88 per cent. The Planning Commission set a target of 1.8 million tons for 1955-56 but the industry succeeded in producing 1.86 million tons.

In 1956-57, the sugar industry set up a new record in production at a little above 2 million tons. If the production of gur and khandasari is also taken into account, India is today the largest producer of sugar in the world. The total number of factories in operation exceeds 160. The Planning Commission has set the target for factory sugar at 2.5 million tons for 1960-61 in so far as the capacity of the industry is concerned. Production is expected to rise to 2.25 million tons only. In order to attain these objectives, licences have already been granted to nearly 59 existing factories for expanding their capacity. Similarly, more than 50 new



Note: In a semi-logarithmic graph, equal vertical distances represent the same ratio (i.e. equal rates of increase) in whatever part of the scale they are taken.

May 2, 1958.

TABLE I.

PRODUCTION OF SUGAR DIRECTLY FROM CANE IN MODERN FACTORIES AND PERCENTAGE RECOVERY FOR INDIA FROM 1929-30 TO 1955-56

Season	No. of factories producing sugar direct from cane	Cane crushed (Tons)	Sugar produced (Tons)	Percentage recovery
1929-30	27	989,776	49,768	9.07
1930-31	29	1,317,248	119,859	9.00
1931-32	32	1,783,499	159,580	8.89
1932-33	57	3,350,231	290,000	8.66
1933-34	112	5,157,373	454,000	9.80
1934-35	130	6,572,000	578,100	8.66
1935-36	137	6,801,748	932,100	9.29
1936-37	137	11,687,200	1,111,400	9.50
1937-38	131	9,916,400	914,600	9.38
1938-39	132	7,001,800	642,200	9.29
1939-40	138	13,131,700	1,207,800	9.45
1940-41	140	11,290,900	1,046,100	9.70
1941-42	141	8,026,300	1,751,802	9.69
1942-43	141	10,418,000	1,051,800	10.23
1943-44	145	12,137,800	1,200,700	10.02
1944-45	136	9,343,300	942,200	10.21
1945-46	138	9,359,500	922,900	10.09
1946-47	135	9,117,100	901,100	9.88
1947-48	134	10,910,700	1,074,800	9.85
1948-49	136	10,039,300	1,007,600	9.96
1949-50	139	9,901,300	978,600	9.88
1950-51	138	11,015,700	1,100,500	10.03
1951-52	139	15,496,200	1,483,100	9.57
1952-53	134	13,025,200	1,316,300	9.97
1953-54	134	9,932,700	1,001,214	10.07
1954-55	136	16,011,000	1,589,731	9.92
1955-56	143	18,391,000	1,862,100	9.83

TABLE II.
PER CAPITA CONSUMPTION OF SUGAR AND GUR

Year	Sugar lb.	Gur lb.	Total lb.
1947-48	7.3	22.2	29.5
1948-49	9.0	17.5	26.5
1949-50	7.0	17.2	24.2
1950-51	7.6	21.5	29.1
1951-52	7.7	20.3	28.0
1952-53	10.0	16.4	26.4
1953-54	11.0	15.0	26.0
1954-55*	11.0	17.0	28.0
1955-56*	12.0	16.0	28.0

* Estimated.

The Price of Sugar

By

P. HADFIELD, President, The Indian Sugar Mills Association.

THE sugar price in India today is Rs. 38 per maund and it is for consideration whether this is the best possible price.

The parties concerned are the people of India, the growers of sugarcane and the manufacturers of sugar. The interests of the people in India are two-fold, there is the housewife who probably does not realise that every time she spends a rupee on the purchase of sugar she puts 38 nP. into the Treasury to pay, inter alia, for the second Five-Year Plan. There is also the Government interest for, as in all democracies, the Government is a people's Government. They are fully aware that they benefit to the extent of 38 nP. out of every rupee spent and their problem is to find the point of diminishing returns.

The cane grower poses two problems. In North India he can fairly easily and without much expense grow a crop of 12 to 14 tons of cane to the acre whereas in the Bombay State and in South India he spends more money but his yield is of the order of 45 tons per acre.

Lastly there is the factory owner. Nearly 99 per cent of the people who consume sugar in India probably have the picture at the back of their mind of a factory

owner being a stout gentleman of the money lending fraternity whose sole concern is to amass profits and to pay as small a rate of tax as possible thereon. In other words, there is no appreciation of the form and substance of a jointstock company and today jointstock companies own the majority of sugar factories. The shareholders, by and large, are not found amongst the higher income groups of tax-payers. In fact, if the banks and insurance companies and in particular the Life Insurance Corporation are taken into account, the majority interest in the ordinary share capital of many sugar companies is held by that person commonly known as the man in the street.

The factory owner wants a margin of profit that will enable him to pay a dividend regularly year after year at a rate which will keep the market price of his ordinary shares at today's level. In addition, he wants to have funds that he can put in reserve so that his existing machinery which was probably purchased 25 or 30 years ago, can, when it wears out, be replaced at 3½ to 4½ times its original cost without undue recourse to the raising of fresh capital or borrowing on fixed assets.

Let us now examine today's price against the background of the requirements of these groups of persons.

Until fairly recently the Indian consumer could purchase sugar at a price that was lower than that prevailing in any other country with the exception of Cuba. Now the domestic price in India is higher than in most countries including Canada, the Philippines, Australia and Malaya.

The housewife is entitled to consider that these changed circumstances are unwarranted unless she can be shown some concrete advantage.

The Government, when the 1957 Budget was framed, saw in sugar a product, which was easily taxable the consumption of which was rising steadily, with a market willing to pay higher prices. It was a situation that invited an increase in the excise that was payable. It is open to question whether there was justification for the 100 per cent increase that was imposed by the Finance Ministry. One may assume that it was not an unreasonable experiment, a move that could do no harm if the situation was watched and tax relief granted in adequate time if the domestic consumption showed consumer resistance to the high prices, which had to result. Today there are indications that this very thing is happening. Between 1953 and 1957 the domestic consumption of Indian sugar rose by 90 per cent. Over the last seven months the demand has declined by approximately 2 per cent. One view is that expressed by the Minister for Food and Agriculture when he addressed the Indian Sugar Mills' Association recently, that this is insignificant. The other view is that the reversal of trend is in itself an extremely bright red warning light, one that deserves notice taken of it and it is to be hoped that the hand to operate the controls is poised ready to apply the necessary corrective action if the trend develops.

We have said that the housewife is entitled to a lower price. While this may be a matter of opinion, what is absolutely certain is that if she can find a product which she and her family can relish, which acts as a substitute for sugar and which is less costly, she is entitled to buy that product. The manufacturers of khandsari sugar have not been slow to realise that the 100 per cent increase in excise charged on vacuum pan sugar has given them an advantage which no one could afford to miss. The average production of khand-sari sugar over a number of years prior to 1957-58 was 100,000 tons per annum. During the season that is just finishing, it has reached the figure of 300,000 tons and many people feel that if no action is taken either to tax khandsari or to give tax relief to vacuum pan sugar, the production during the 1958-59 season will be of the order of 600,000 tons.

Let us examine what this means. It will mean that many factories in U.P. and Bihar, where the khandhari industry is most deeply rooted, will go short of sugarcane with the consequence that their cost will rise and their profit and loss account for the year will show a figure in the red. With the production of khandhari at 600,000 tons, roughly 30 per cent of the production of vacuum pan sugar, the effectiveness of the price control exercised by Government, namely that of releasing sugar for sale in quantities that keep prices stable, will be lost, for khandhari is not controlled and it can be sold freely.

Finance for Sugar Factories

THE problem of finance for the organized sector of the sugar industry in the immediate future is closely related to the programme of expansion fixed for it. The second Five-Year Plan has struck a bold target of 25 lakh tons of installed capacity to be achieved by an addition of capacity of 7.6 lakh tons during its period. Actual production is aimed at the figure of 22.5 lakh

Further, a large sum of money will be invested in khandsari equipment. It will inevitably produce sugar by uneconomical methods which would stand no chance of competing with sugar on a fair taxation basis.

Finally, if 600,000 tons of khandsari are produced from cane which would otherwise have gone to vacuum pan factories, the loss of revenue to the Government of India will be of the order of Rs. 18 crores.

It has been stated earlier that the housewife contributes 38 nP to Government revenue out of every rupee she spends on sugar. The actual cost of sugar in India today is made up of:

	Per cent
Cane	41
Taxes	38
Salaries, Wages & Packing	11
Mfg. Expenses	5
Overhead & Gross Profits	5
TOTAL	100

The cane grower who grows 12 or 14 tons of cane per acre could probably not afford to receive a lower price but the cane grower who grows 30 or more tons per acre can. The factory which buys cane which will yield only 8.9 per cent sugar cannot afford to pay the Government minimum price of Rs. 1.44 let alone a bonus. With cane that will yield 10 or 10.5 per cent recovery, he can so afford. There is no mystery about increasing the yield and the quality of sugarcane, and the education of the growers in the proper cultural methods can bring this about. The public who ultimately pays the final price of sugar is entitled to demand of its Government that the most strenuous steps are taken to teach those who grow cane the proper methods of cultivation, improved and up-to-date methods of pest control, the use of disease-free seed, the use of fully balanced fertilisers at the proper time and in correct quantities and finally the use of irrigation which as more land is brought under tubewell or hydro-electrical schemes, must ultimately contribute more towards reducing the cost of sugar than any other single factor, and the remedy is not far to seek.

Finally, the domestic price of sugar in India should not be considered without some reference to the country's need for exports. The pressure for exports may not be intense this year but, as more of the co-operative factories which the Government have sanctioned are commissioned, the need for exports will become pressing indeed. Early in 1957 it looked as if the domestic price could be raised and a levy charged on sugar sold in India, which would provide funds with which to buy sugar for exports. The price of sugar today, particularly against the background of what has been said about khandsari earlier, is too high to be met by the simple means of finding money to bridge the gap between the cost of Indian sugar and the price at which it can be sold in world markets. Hence, yet another reason presents itself for reducing the internal price and in particular, for lowering the taxation on this commodity.

tons. The first Five-Year Plan was essentially a plan for consolidation by fuller or over utilisation of installed capacity plus modest expansion. But on the basis of estimated increase in consumption and the need to build a nucleus of export trade, the target had to be raised in the second Plan.

The additional capacity of 7.6 lakh tons has been

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arrived at by the Planning Commission in consultation with the Development Council for the Sugar Industry set up in March 1954 as well as its spokesmen outside the Council. From its very inception, no inflexibility has been allowed in the programme of development in its twofold scheme of distribution of additional capacity as between existing units seeking expansion and new units to be brought into existence. The statistical picture of the progress of licensing that is available does not give a crystal clear idea of allocation of capacity inasmuch as the expansion programme of 1955-56—the fifth year of the first Plan—has been incorporated in it. But it gives a substantially correct idea. Licences are estimated to have been issued during this period for the expansion of the capacity of 66 existing units and establishment of 56 new units. An informed estimate inside the industry states that, after making allowance for new units and expansion of capacity of existing units, that have been pressed into service since 1955-56, a balance of not less than 6 lakh tons of additional capacity out of the total target for increase still remains to be brought into commission.

How far or how soon this balance of increased capacity will be installed and put into production will be determined by the available resources in finance. These resources go beyond capital investment and include, in addition, chiefly, funds for working capital. A bold target of capacity and production implies a large volume of outlay. In so far as the increased capacity which is aimed at in the second Plan is concerned, an outlay of Rs. 50 crores is envisaged. But it does not exhaust the industry's total requirements. A high proportion of the plant and machinery of the present units was acquired about two decades ago prior to the war. Excessive use during and after the war has reduced it to a worn out condition. The Indian sugar industry has to make good a considerable lag in competitive efficiency. Its cost structure bears unfavourable comparison with the cost structure of the industry in the major exporting countries. Exports of Indian sugar are impracticable in the near future without an element of subsidy. It is, therefore, of paramount importance that, while attention continues to be devoted to sugar cane development, rehabilitation and modernisation of plants ought to be given a vital place in the programme of the industry's development. The Planning Commission has estimated that an outlay of the order of Rs. 50 crores would be necessary during the second Plan for replacement and modernisation of plant and equipment. The combined requirements of installation of new capacity and replacement-cum-modernisation thus add up to Rs. 100 crores.

How far are these requirements of financial resources for the development programme prescribed by the Plan matched by their availability or the capacity to raise them? Since the sugar industry falls outside the State sector, no clue to this subject can be found in the allocation of funds made in the scheme of the Plan outlay. A fair idea can be obtained, however, from the past experience of the industry in managing its finances in their different aspects. The Reserve Bank's research into the finances of 750 selected joint stock companies, published in its Bulletin of September 1957, uncovers useful data on these balance sheets were included in this research study form nearly one-third of the total number of sugar manufacturing companies in active production. In number as well as selection, they must be taken to be representative of the industry's financial trends.

Table A in this article sets out the capital and liabilities of the selected 52 sugar manufacturing companies. The period—1950 to 1955—coincides for the major part with the period of the first Five-Year Plan. The first Plan did not place accent on the development

of the sugar industry except on a small scale. The trends revealed by these data are to be read in the light of this qualification. The more important among these trends need to be mentioned broadly. While the subscribed capital of these companies has not risen significantly—an increase of only Rs. 1.30 crores in six years—the gap between subscribed and paid-up capital has been narrowed down substantially, implying calls on shareholders. Total reserves, excluding tax reserves, show a remarkable improvement. They have been progressively strengthened until in 1955 they were raised to Rs. 15.08 crores as against paid-up capital of Rs. 17.30 crores. The composition of reserves is virtually unchanged—the general reserve and residuary reserves accounting for the bulk. Allocations to the tax reserves, after allowing for the higher volume of profits in absolute terms, reflect the growing incidence of corporate taxation.

What is of great significance to current management of companies is the pattern of borrowings. A rapid increase in turnover has inevitably necessitated a high volume of borrowed capital. In the six years it has almost doubled. It is to be noted that due to the seasonal character of this industry mortgages and debentures play a minor part. The requirements are predominantly those of short-period demand for working capital during the crushing season. Borrowings from the trade have emerged in importance. They are the second individual source of accommodation for sugar factories. But easily the most noteworthy development is the increasing and heavy dependence of sugar companies on bank credit. The increase in bank borrowings to the level of Rs. 19.29 crores in 1955 need not be taken as a sporadic trend. When in the name of controlled expansion with accent on selective credit control, the Reserve Bank put a severe curb last year on scheduled bank advances against sugar, a serious error was committed and great hardship was inflicted on the industry. The error consisted in misconstruing the rise in borrowings as motivated by speculative activity. It had to be rectified by relaxing the curb. These borrowings are for genuine business purposes. A more recent figure, for 17 February last, shows that total bank advances to sugar factories rose as high as Rs. 40.36 crores.

The increasing reliance of sugar factories on bank credit needs to be viewed in relation to their liquid assets. Taking a conservative view of liquidity and including in them, according to the established convention, the taxation reserves, the liquidity position and bank borrowings stand in the relative position as tabulated below in respect of the 52 selected sugar companies:

	1950	1951	1952	1953	1954	1955
Cash	1.77	1.84	1.78	3.07	3.28	2.30
Govt. Securities	0.40	0.50	0.49	0.62	0.74	0.91
Taxation Reserves	3.18	3.98	4.80	5.76	6.14	7.38
Gross Liquid Assets	5.35	6.32	7.07	9.47	10.16	10.59
Bank Borrowings	9.60	12.69	13.19	7.09	12.71	19.29

This table is self-explanatory. It discloses the great inadequacy of the liquid assets of companies to meet the current demands of working capital. It is the credit provided by banks which sustains seasonal, short-term requirements of funds. Bank credit accounts for all working capital.

It now remains to assess from these representative trends in financial operations the feasibility of raising resources of the order required in the development

programme for the sugar industry. It is quite safe to assume that the needs of current outlay for working capital and similar purposes will be met, partly rising liquid assets, but mainly by bank credit. No difficulties need arise on this count. But since this credit is secured credit, it implies higher volume of output and business. The state of the reserves of sugar companies shows that the burdens of replacement and modernisation as suggested in the second Plan—Rs. 50 crores—are too high for them. This is a universal post-war characteristic of all industries. It is due to the high inflation in the prices of plant and machinery in recent years, which, in the case of the sugar industry, have risen by more than 300 per cent as compared to the pre-war prices. Additional investment capital for

increasing the installed capacity could be raised with great difficulty and surely not to the extent of Rs. 50 crores. Two articles in this Blue Supplement—on Exports and Khandsari—explain the impediments to the fulfilment of the targeted increase in sugar output.

The conclusion of this discussion is that the prospect for finance for investment in development of the required order is not reassuring. This suggests the need of a redirection of licensing policy. There is still about 6 lakh tons of capacity to be installed. Where licences already issued for setting up new factories are not used, they should be diverted to those existing units as may be prepared to expand their production capacity.

TABLE A.

CAPITAL AND LIABILITIES OF 52 SELECTED SUGAR COMPANIES

(Rs. in crores)

	1950	1951	1952	1953	1954	1955
CAPITAL						
1. Subscribed paid-up	16.05	16.31	16.45	17.00	17.22	17.35
2. Ordinary	12.77	13.09	13.14	13.64	13.93	14.06
3. Preference	2.98	3.03	3.11	3.17	3.10	3.10
4. Deferred	0.14	0.14	0.14	0.14	0.14	0.14
5. Total	15.89	16.26	16.39	16.95	17.17	17.30
RESERVES						
6. General	5.56	6.15	6.73	6.85	7.14	8.15
7. Development	0.70	0.84	0.91	1.25	1.43	1.45
8. Others	3.30	3.34	3.94	4.22	4.59	5.21
9. Balance of Profit	0.22	0.54	0.33	0.30	0.35	0.27
10. Total	9.78	1.37	11.91	12.62	13.51	15.08
11. Taxation Reserves	3.18	3.98	4.80	5.76	6.14	7.38
BORROWINGS						
12. From Banks	9.60	12.69	13.19	7.09	12.71	19.29
13. Mortgages	0.11	0.20	0.27	0.47	0.84	0.81
14. Debentures	1.72	1.67	1.75	1.61	1.58	1.61
15. Due to trade	1.42	3.99	4.30	1.25	2.17	4.30
16. Others	3.42	4.12	3.92	3.42	3.39	3.64
17. Total	16.27	22.67	23.43	13.84	20.69	29.65
OTHER LIABILITIES						
18. Current	6.26	7.59	8.57	7.83	8.85	10.45
19. Non-current	0.17	0.16	0.21	0.10	0.14	0.18
20. GRAND TOTAL	51.56	62.02	65.33	57.10	66.50	80.04

Competition from Khandsari

A few years back it was confidently asserted that Khandsari sugar was going out of fashion. It was also confidently predicted that its production would fade out in the years to come due to competition from factory sugar. That neither the assertion nor the prediction has come true could be seen from the Chairman's address at the I.S.M.A.'s annual meeting early last month. Mr. Balmokand Shah Sawhney's reference to the present competition from khandsari fully reflected the disquiet felt by the factory sugar industry.

There is ample warrant for the sugar factories' anxiety. The khandsari industry has grown fast because of complete immunity of khandsari units from the kind of tax burden borne by factory sugar. This

tax burden is composed of Rs. 10-11 per maund as excise duty, Rs. 2 as cane cess and about As. 8 as co-operative societies' commission and accounts for just under 40 per cent of the total cost of production of factory sugar. Prior to March 1955, however, the tax component of factory sugar was only Rs. 5-4 which represented a far smaller difference in price between it and khandsari sugar which was selling at anything between Rs. 20 and Rs. 25 per maund then. Since then the price differential has become larger with the result that in spite of its poorer quality khandsari has become a serious competitor to factory sugar. As khandsari units are also free from regulations regarding minimum cane prices and quota releases, their competitive capacity has increased still further. No wonder, therefore,

khandsari units have expanded fast enough, particularly in Uttar Pradesh, to increase their production to an estimated three lakh tons in 1957-58 from the level of one lakh tons they have maintained in previous years. This entire production of khandsari may be taken as representing a corresponding reduction in consumption of factory sugar. All the khandsari that is produced is bound to be consumed especially in the rural areas for its retail price would not be more than 50-60 per cent of that of factory sugar. To the poorer class of consumers in Uttar Pradesh who can relish tea sweetened even with gur, khandsari, cheap as it is, would be preferable to factory sugar which is far more costly.

A pertinent question is raised as to why the khandsari industry should be encouraged by direct and indirect Government measures in disregard of the Karve Committee's finding that its production is based on a wasteful process and of the Committee's observation that unless it is improved it should not be encouraged at the cost of the sugar industry. The rider in respect of possible improvement in the process of khandsari of production has very little chance of being fulfilled. The recovery of khandsari by the khanchi process is 4.4 per cent and by the centrifugal process 5.5 per cent on cane. It is, of course, true that by an improved process it has been possible to step up the recovery of khandsari to 7.7 per cent on cane. Even if this improved process comes to be generally adopted, khandsari recovery will still be considerably lower than the recovery of sugar (around 10 per cent on cane) in vacuum pan factories. Again, recovery of khandsari on gur is only 37.5 per cent which is far lower than that of refined sugar on gur. This is not the only point against khandsari for its yield compares also unfavourably with the yield of gur which means that the expansion

of khandsari industry will be at the expense of the gur industry also.

The enormous waste involved in the expansion of the khandsari industry has been succinctly calculated by the I.S.M.A. Chairman. An additional production of two-lakh tons means a loss of about 1.3 lakh tons of extra sugar which could have been recovered if the appropriate quantity of cane had been crushed by the sugar factories. This loss of sugar is estimated at Rs. 12 crores on account of the said 1.3 lakh tons. A total khandsari production of 3.3 lakh tons also means a loss to the Central and State Governments of about Rs. 10 crores by way of excise duty and Rs. 2 crores by way of cane cess.

There are two other considerations also. One is that under the second Plan the expansion of the sugar industry has been based on the assumption of an increased level of consumption of white sugar. The expected shift from Khandsari to factory sugar has not occurred; on the other hand, there has come about a shift from sugar to khandsari consumption. In the face of this threat, the sugar industry's increased and increasing production capacity would not be fully utilised. This would mean uneconomic working and poor results therefrom. The other consideration is the Government's proposal to export sugar to earn as much additional foreign exchange as possible. As the loss on account of sugar exports to foreign markets at a time of low world sugar prices might have to be made good by some increase in the price of sugar reserved for internal consumption, khandsari price will become still more competitive in relation to factory sugar. If effective demand for sugar in the domestic market should thus fall on account of its relatively higher prices, its production would also fall. That again, would mean under-fulfilment of the second Plan's target of sugar production.

Taxation of Factory Sugar

THE burden of taxation of factory-produced sugar has gone on mounting at such a rapid rate that the wartime incidence, which was considered heavy, pales into insignificance when compared with its magnitude in the recent years. Two taxes are levied on sugar—the Central Excise Duty and the States Sales Tax. The latter was transformed into an additional Central excise duty last year. Figures of gross revenue from the sales tax levied by the State Governments at their own rates are not readily available. But there can be no doubt that as a second tax on this commodity the burden of that as a second tax on this commodity the burden of the States sales tax was certainly onerous. The Central excise duty constitutes the main tax on sugar. The burden of States sales tax ranged in the neighbourhood of 30 per cent of the burden of the Central excise.

The gross revenue from the Central excise duty, which represents the actual payments made by the industry, is tabulated alongside for the period commencing with the first year of the first Five-Year Plan.

In comparing these annual figures, allowance ought to be made for variations in the volume of production turned out from the factories on which the duty is levied. But even when this is done, the rapid increase in the real burden of the tax is quite spectacular. The progress of the higher yield from the excise duty must be considered with reference to the rates of duty which give a real idea of its increasing impact.

The rate in force from November, 1953, to February 28, 1955, was fixed at Rs. 3-12 per cwt. On March 1, 1955, it was raised to Rs. 5-10 per cwt. It remained operative till May 15, 1957. The budget proposals of May 15, 1957, affected a drastic increase in the rate from Rs. 5-10 per cwt. to Rs. 11-4 per cwt. to raise gross revenue by a spectacular margin from Rs. 20.88

crores in the previous year to Rs. 37.62 crores in 1957-58. This is the rate of the excise duty which prevails at the present time.

The most conspicuous fact revealed by this table is a sharp rise in the yield from the Central excise in 1957-58. The rate of duty was raised steeply to Rs. 11-4 per cwt. in that year on the plea that it would mop up "surplus" profits and discourage home consumption of sugar, thereby making for a higher margin for export. In retrospect, it has become clear that there is hardly any "surplus" to be mopped up. As for discouraging consumption of factory sugar, this regressive function has been assigned to the tax when acute competition from khandsari was raising its head. Soon afterwards a glut emerged in the market for sugar.

REVENUE FROM THE EXCISE DUTY ON FACTORY SUGAR

(Rs. Crores)

1951-52	8.46
1952-53	9.90
1953-54	14.36
1954-55	8.13
1955-56	18.56
1956-57	20.88
1957-58	37.62 (3.55)
1958-59	42.00 (12.18)

Exports of Sugar

TILL 1941-42 the domestic supply of white factory sugar was not high enough to meet the total internal demand. Imports were, therefore, inevitable. But between 1931-32 and 1941-42 there was a progressive decline in imports. The imports of sugar at 30,451 tons in 1941-42 were hardly 5 per cent of the total imports in 1931-32. Then followed an era when imports were completely shut out because the internal supply position had assumed an extremely comfortable position. There were a few exceptional years such as 1953-54 and 1954-55 when imports became necessary because of lack of adequate supply of sugarcane to the factories arising mainly from a sudden fall in acreage under sugarcane.

In this respect, the history of the Sugar Industry took a sharp turn in 1956-57 when the Indian Sugar Mills Association succeeded in selling abroad nearly 1.53 lakh tons of sugar, earning thus about Rs. 12 crores of foreign exchange. The buyers included for the most part our neighbouring countries. The direction of exports is as set out in the table below:-

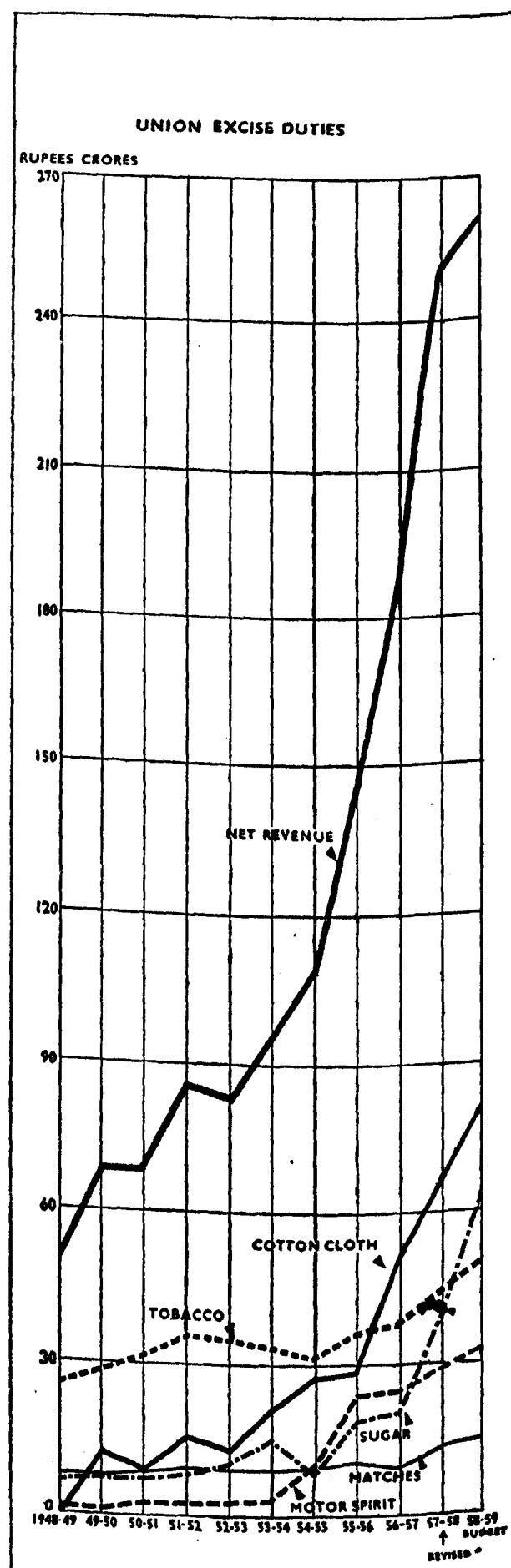
Name of the Country	Quantity Exported (Tons)
China	33,624
East Africa	29,454
Malaya	20,837
Sudan	14,847
Iraq	13,085
Burma	11,643
Ceylon	8,158
Aden	8,050
Singapore	5,096
U.K.	1,002
North Viet-Nam	823
Other Destinations in West Asia	5,045

The fact that Indian sugar has been able to compete with the well-established exporters in the world suggests that it will not be difficult in the coming years to secure business from international markets. As a matter of fact the Indian Sugar Mills Association has already received enquiries even from far-off countries, such as Germany and Finland. All this goes to prove that white factory sugar produced by the Indian factories is acceptable in markets abroad and that the Indian Union has now attained sufficient capacity as well as knowledge abroad to export sugar in sizeable quantities.

At the moment a big handicap in the exports of sugar relates to the falling prices of sugar abroad. It is impossible for Indian exporters to enter the international market without incurring some losses. In order to meet this situation a scheme needs to be devised whereby the exporters of sugar may be able to make up for the loss due to exports.

One of the ways that the exporters of sugar may be compensated is to allow a rise of nearly Rs. 2 per maund in the domestic market. In certain quarters it is believed that rise of this order will be easily absorbed in view of the rising purchasing power of the masses. The other course open is to impress upon the Government to reduce the taxation burden which is extremely high. In fact the Sugar Industry is one of the most highly taxed industries in the country. If the cess on cane is withdrawn, it will certainly mean a loss of revenue to the States, but the Centre could come forward with compensation. That appears to be perhaps a better solution than raising the price of sugar because it is feared as in cotton textiles the increase will not be absorbed.

The broad conclusion, therefore, emerges that for imparting competitiveness to the sugar industry in international markets it is imperative that some immediate relief in taxation, should be imparted to the sugar industry so as to lower the level of prices.



Industry in the Revised Plan

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The Perils of Simplicity

THE recent publication of the Planning Commission entitled "Appraisal and Prospects of the Second Five-Year Plan", has deservedly won recognition as the most precise and workmanlike document which has emerged from the Planning Commission since its inception. There is, however, a great danger that an improvement in exposition, with the claim of precision in a workmanlike document, will tend to create the impression that, in fact, we know much more about the problem of 'Resources' or 'Capacity' or the Capital-Output ratio in Indian agriculture and industry than we in fact do. The appearance of a good appraisal has by no means added to the sum total of India's knowledge of the three most controversial elements in the Plan, namely, Resources in Money, the Problem of Capacity, and, finally, the value of the Capital-Output Ratio in different sections of Indian industry.

One of the great weaknesses of the Planning Commission's study is that it purports to set out, particularly in the section on Industry, a series of judgments on capacity already installed, and likely to be installed, which cannot bear detailed scrutiny. One of the major purposes of this Blue Supplement is to point out the remarkably unfair assessment which emerges of the Private sector's performance in the Plan. Most of the error is an honest error in that it is genuinely believed that the figures for capacity of the Planning Commission are a measure of likely production in 1961. In fact, as illustrations throughout the first Five-Year Plan will show, the volume of actual production and estimated capacity in Planning Commission documents are by no means closely related. The word 'capacity' has ceased to have any precise meaning either in Indian agriculture or Indian industry. And, indeed, the time has come when there should be brought in an analysis of somewhat different kind. There is no substitute for a detailed analysis of production in each industry as against the present capacity survey. It has

been found that in Indian industry, in recent years, the actual production has varied often 25 per cent on either side of capacity estimates. Since, therefore, capacity estimates in Indian industry have shown a tendency to vary by as much as 60 per cent, one wonders whether they provide an any more suitable base for projection than the much advertised "Capital-Output" ratio, which has now happily worked itself to death.

The truth seems to be that we have no overall figures in Indian industry which can suitably measure capacity accurately. An example is given in the article which follows, in respect of the textile machinery industry, to show that the capacity already exists in the country to manufacture about Rs. 9 crores of machinery against Rs. 7.5 crores shown by the Planning Commission. The Planning Commission has committed itself to the point that (in crores of rupees) less than itself to the point that (in crores of rupees) less than two-thirds of the target will be achieved. This is merely a single instance of the perils of over-simplification; if the additional equipment stated to cost Rs. 2.5 crores is put in, on double shift working over Rs. 15 crores of machinery can be produced.

It is shown in the course of this Blue Supplement that the estimate of the private sector's performance in the Plan has also been misjudged. Not, indeed, that it is likely now that the private sector will achieve all its targets, but the reason for this position is not the absence of adequate investment or capacity but the absence of adequate raw materials and, in certain industries, notably cotton textiles, and in some sections of engineering, an absence of adequate demand. To say that the private sector will not achieve the targets of production because of these factors, for which it cannot be held responsible, is quite a different thing from saying that its investment is inadequate to achieve the targets. By and large the capacity to achieve the targets in India's major private sector industries is already there.

The moral of this argument seems to be that current methods of evaluation in the Planning Commission need to take on a new dimension, either by association of business men in particular industries with these evaluations in a responsible capacity, or, alternatively, by the setting out of studies jointly with Chambers of

Commerce to obtain figures which really permit of projection in the manner in which this is necessary for Planning Commission's appraisals. If this Blue Supplement should succeed in creating a new instrument of practical research in this field, it would have been well worth while.

Pitfalls in 'Capacity'

THE word 'capacity' in Indian agriculture and in Indian industry has been one great source of confusion. At some times 'capacity' is presented in crores of rupees; obviously when it is so presented, it is related to the prices of equipment at a particular time. A rise or fall in prices of a substantial character can make the original figures almost meaningless. This, in fact, has happened to the Plan as a whole in that an original Plan of Rs. 4,800 crores became Rs. 5,400 crores with roughly the same content, and now, when the

original figure of Rs. 4,800 crores has been restored, the content is very different from what it was originally. These simple statements should put us on guard against 'capacity' estimates whether in the Planning Commission documents or elsewhere.

To illustrate the point that reported capacities and production figures depart widely from one another, a selection of certain Indian industries in three years has been set out in the table below:

TABLE I
INSTALLED CAPACITY AND PRODUCTION IN SELECTED INDUSTRIES

	Installed Capacity	Production	Installed Capacity	Production	Installed Capacity	Production
	1952		1955		1957	
Sugar ('000 tons)	N.A.*	1,494	1,357	1,595	1,357.2	2,038.8
Caustic Soda ('000 tons)	36.99	17.06	42	34	45.4	42.48
Cement (lakh tons)	37.09	35.04	44	44	62	55.02
Aluminium (Tons)	3,999.6	3,566.4	7,500	7,225	7,500	7,771.2
Diesel Engines (Numbers)	6,324	4,248	16,270	10,040	22,100	16,512
Bicycles (complete) ('000s)	120	196.9	492	491	700.8	801
Refractories ('000 tons)	290.4	243.6	330	272	472.8	362.4
Pig Iron ('000 tons)	N.A.	1,684.8	2,221	1,757	2,221.2	1,789.2
Power Transformers ('000 K.V.A.)	303.6	214.8	378	565	933.6	1,219.2
Sewing Machines (Numbers)	41,496	50,040	41,500	101,470	81,480	166,620

*N.A. = Not available.

It will be seen that except in one single case, namely, the cement industry in the year 1955 capacity has never been exactly equal to production. The variations have been as wide as 30 to 40 per cent below capacity as in soda ash and over 100 per cent above "capacity" in the case of sewing machines. All these are specific illustrations of the point that the word "capacity" is merely a rough and ready means like the word "capital" of indicating the rough order of magnitude, with errors which might be so large in particular cases that for detailed planning the capacity approach is almost valueless.

More specifically in the table above it will be seen that in 1952 production of sewing machines exceeded installed capacity by nearly 20 per cent. In that year diesel engines were below capacity by about 33 per cent. This was even more marked in caustic soda

where production was actually less than half of installed capacity. In 1955 the position had changed; there was great improvement in caustic soda, though in diesel engines, while production had risen two and a half times, the absolute margin between installed capacity and production was greater than before. Meanwhile sewing machines with installed capacity of 41,500 (presumably single shift) ran to 101,470 in 1955. In the year 1957 bicycles, which in 1955 had been running to capacity, ran a seventh above capacity. Sewing machines ran at more than double "capacity" and power transformers 30 per cent above. Thus the argument that installed capacity is a good measure of actual production is wholly unwarranted.

The reasons for this are two-fold. In the first place, while equipment tends to present some kind of ceiling the real maker of production inside that ceiling

is the power of consumption. Secondly, good management always finds a means, when demand is high, to obtain more than capacity out of existing machines. This has been consistently the case with the sewing machine industry which has shown spectacular form; and it is becoming normal in the bicycle industry, and in power transformers. At the present time, there is every indication that in the engineering industry some rearrangement of machines or the addition of new jigs and fixtures can change capacity figures substantially, and reaching production required with fewer material resources. It is almost certain that the Planning Commission has underestimated the capacity of good management to change the capital: output ratio in a substantial degree.

Coming more specifically to the recent statement of the Planning Commission one can show by a particular illustration that the figures in the hands of the Planning Commission are misleading in detail. For example, the figure for capacity at present in the textile machinery industry is valued at Rs. 7.5 crores and it is expected that by the addition of 3.5 crores (of which Rs. 2.5 crores is to be in foreign exchange, that "capacity" in 1961 will be 10 crores of rupees. None of these figures seems appropriate at the present time. The Non-official sources give the alongside table of the capacity as reckoned in numbers of different items of textile machinery and in their approximate value.

It will be seen that against the Planning Commission's figures of Rs. 7.5 crores the current figure is well over Rs. 9 crores. Similarly, there is no likelihood of a figure of Rs. 10 crores being achieved by 1961; not, indeed, because the capacity does not exist; for capacity is already there for nearly Rs. 10 crores per year. It is because existing capacity is unutilised for want of orders. In other words, it is meaningless to argue that the country needs another Rs. 3.5 crores of investment to raise output to Rs. 10 crores. The position is that it needs hardly new investment at all; but it does need orders in order to load existing capacity.

At present, the crisis in the textile industry has lead to a crisis in the textile machinery industry so that two-thirds of capacity is likely to be unutilised. This simple illustration of an industry which might look as though it would run according to schedule must warn us against supposing that the real bottlenecks in Indian industry at the present time are short resources in investment. In many industries — the textile and the textile machinery stand out in particular — there is no sense in expanding capacity, for existing capacity cannot be utilised, may be, for two years.

It is errors such as these which make the picture painted in the Planning Commission's documents mis-

leading. The proper statement on the textile machinery industry should be that the target is now incapable of achievement because of the absence of orders, and no further investment is envisaged, until existing capacity can be fully utilised. This implies that the private sector has installed all reasonable capacity in this industry for conditions at present obtaining. It cannot be expected to do more.

EXISTING ANNUAL INSTALLED FOR TEXTILE MACHINERY AS REPORTED UNOFFICIALLY

Carding Engines	Number	Approximate Value in Crores
Mahindra and Mahindra, Calcutta	900	2.5
Textool, Coimbatore	400	
National Machinery Manufacturers, Bombay	400	
Texmaco	400	
Draw Frames		0.25
Textool, Coimbatore	48	
Speed Frames		
Ramakrishna Industrial, Coimbatore	48	
Ring Spinning Frames		
Ramakrishna Industrial, Coimbatore	48	4.50
Textool, Coimbatore	600	
National Machinery Manufacturers, Bombay	600	
Texmaco	720	
Looms (Plain)		
Copper Engineering, Bombay	900/1200	
National Machinery Manufacturers, Bangalore	720	1.00
CIMMCO, Gwalior	3060	
Spares of all kinds (Plain and Automatic) (Spindles, Rings Fluted Rollers and Loom Parts)		0.75
TOTAL (Crores)		9.00

Income from Industry in the Revised Plan

THE second Five-Year Plan had allocated an investment of Rs. 690 crores to industries and minerals out of a total investment of Rs. 4,800 crores. This allocation was deemed inadequate during the last two years and, therefore, it was revised upwards to Rs. 880 crores in order to accommodate the higher cost of some projects. The memorandum submitted by the Planning Commission to the National Development Council has again revised this allocation and has put the figure at Rs. 790 crores because of a short-fall in resources. It is clear, therefore, that the latest outlay figure allotted to industries and minerals lies at a level which is Rs. 100 crores above the level set out in the original second Five-Year Plan. This increase in allocation will, however, not be sufficient to accommodate in full the in-

crease in cost which has already taken place due to the inflationary trends in the supplying markets overseas.

What will be the impact of the higher cost of the projects on the income that is to be generated in the industrial sector? It is true that the organised industry does not form more than 10 per cent of the total economy in the country but it is, without doubt, the most important sector which helps to generate tertiary incomes in all directions. The shortfall in the generation of incomes in this sector will have its multiplier effect in other sectors of the economy as well.

The physical targets of production and capacity in the major industries which have necessitated a revision

TABLE I

A Re-appraisal of the Second Five-Year Plan

ELECTRICAL ENGINEERING INDUSTRIES

Industry	Installed capacity		Capacity likely to be achieved in 1960-61 on the basis of schemes in progress	Further foreign exchange needed for achieving capacity under (4)	Further foreign exchange needed (over and above fig. in col. 5 for achieving targets under column 2.)
	Plan target (revised figures in brackets)	Present capacity (as at the end of 1957)			
1	2	3	4	5	6
Transformers ('000 KVA)	1500 (2,200)	934	1465	0.10	1.0
Motors ('000 HP)	600 (1,200)	339	736	0.10	1.5
Cables and Wires					
ACSR (Tons)	21570 (30,000)	13,370	23,600	0.13)	
VIR & Plastic coated (Million yds.) ..	334 (500 to 600)	157	242	0.20)	1.5
Paper Insulated Power (Miles)	784 (1500 to 1800)	Nil	1,104	Neg.)	
Radio receivers ('000 Nos.)	213 (300)	213	300	Neg.)	Neg.

TABLE II

MECHANICAL ENGINEERING INDUSTRIES

Industry	Installed capacity		Capacity likely to be achieved in 1960-61 on the basis of schemes in progress	Further foreign exchange needed for achieving capacity under (4)	Further foreign exchange needed (over and above fig. in col. 5 for achieving targets under column 2.)
	Plan target (revised figures in brackets)	Present capacity (as at the end of 1957)			
1	2	3	4	5	6
1. Cotton textile machinery (Rs. crores)	17.00	7.5	10.0	1.5	2.0
2. Jute textile machinery (Rs. crores) ..	2.5	0.4	1.0	0.10	—
3. Cement Machinery (Rs. crores)	2.0	0.5	0.75	0.25	0.75
4. Automobiles (Nos.)	57,000	36,000	60,000 (about 40 per cent indigenous content)	Neg. [about 80 per cent indigenous content of vehicles]	12.00
5. Sugar machinery (Rs. crores)	2.5	0.4	2.5	1.0	Neg.
6. Paper machinery (Rs. crores)	4.0	Nil	Nil	Nil	2.0
7. Locomotives (Nos.)	100	67	8 per month by 1958	0.5	Nil
8. Wagons (Nos.)	25,000	N.A.	25,000	0.6)	4.0
9. Structural fabrication ('000 tons) ..	500	143	289	2.2)	
10. Bicycles ('000 Nos.)	895	627	1350	0.3	Neg.
11. Diesel Engines (50 HP & above) ('000 HP)	20 to 30	Nil	36	Nil	Neg.

Source: The Planning Commission.

A Re-appraisal of the Second Five-Year Plan

TABLE III

HEAVY CHEMICAL, FERTILISER AND ALLIED INDUSTRIES

Industry	Installed capacity		Capacity likely to be achieved in 1960-61 on the basis of schemes in progress	Further foreign exchange needed for achieving capacity under (4)	Further foreign exchange needed (over and above fig. in col. 5 for achieving targets under column 2.)
	Plan target (revised figures in brackets)	Present capacity (as at the end of 1957)			
1	2	3	4	5	6
1. Superphosphate (in terms of P2 O5) ('000 tons)	120.0	50	80 (plus 3700 tons of P2 O5 in the form of Ammonium phosphate.	0.4	2.5 to 3.0 (investment on production of alternative phosphatic fertilisers in terms of P2 O5)
2. Sulphuric Acid ('000 tons)	500	252	420	0.3	0.5
3. Soda Ash ('000 tons)	253	108	320	1.0	Nil
4. Caustic Soda ('000 tons)	150	45	124	Neg.	1.25
5. Industrial explosives ('000 tons) ..	5	Nil	5	Neg.	Nil
6. Petroleum refining (Million tons) ..	4.3	4.3	4.3	Neg.	Nil
7. Plastics, synthetic moulding powders (Tons)	12,810	3,730	13,200	0.15	Nil
8. Cement(a) (Million tons)	16.0*	6.63	9.3	1.8	33.0
9. Refractories ('000 tons)	1000 (1,250)	498	820	0.5	2.0
10. Rubber manufacture (automobile tyres) ('000 Nos.)	1,450	1,062	1,774	Neg.	Nil
11. Dyestuffs & intermediates — finished dyes (Million tons)	27.0	11.7	12.0	Neg.	1.0

* Inclusive of the capacity under the public sector, the target approved by Cabinet is 16.0 million tons under the second Plan. For its achievement imports of machinery were estimated at Rs. 40 crores.
(a) The figures given against this include capacities of the cement factories of the U.P. Government and of the Mysore Iron and Steel Works

TABLE IV

CONSUMER GOODS INDUSTRIES

Industry	Installed capacity		Capacity likely to be achieved in 1960-61 on the basis of schemes in progress	Further foreign exchange needed for achieving capacity under (4)	Further foreign exchange needed (over and above fig. in col. 5 for achieving targets under column 2.)
	Plan target (revised figures in brackets)	Present capacity (as at the end of 1957)			
1	2	3	4	5	6
1. Sugar ('000 tons)	2500	2010	2250	Neg.	10.0
2. Cotton textiles					
(i) Spindleage (Million (Nos.)	13,621 (14,150)	12.6	14.15)	15.00	—
(ii) Loomage ('000 Nos.)	203 (221)	—	221)	1.0	5.0
3. Paper & paper board ('000 tons) ..	450	252	410	0.2	—
4. Glass ('000 tons)	335	295	343	1.6)	
5. Rayon					
(i) Filament (Million lbs.)	68.0 (100.0)	34.0	76.8	—)	10.0
(ii) Staple fibre (Million lbs.)	32.0	Nil	30.0	Neg.)	—
(iii) Chemical pulp ('000 tons)	30.0	65.0	65.0	—	—
6. Paints Varnishes ('000 tons)	65.0	No increase	—	—	—
7. Vanaspathi ('000 tons)	445	17	58	0.5	0.10
8. Vegetable oils solvent extraction ('000 tons)	64				

Source: The Planning Commission.

A Re-appraisal of the Second Five-Year Plan

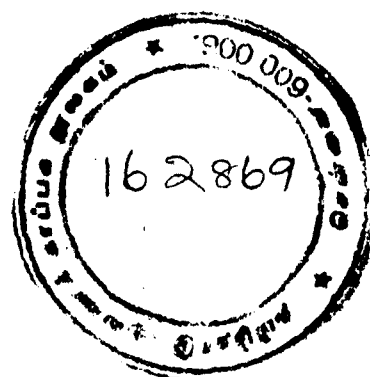
YIELD FROM MEASURES OF ADDITIONAL TAXATION IN THE FIRST THREE YEARS

	Yield from measures adopted in the first three years		(Rs. crores) Targets as set out in the Plan Report
	1956-57 to 1958-59	Five Year Yield	
1. General sales tax	39.6	83.2)	112.0
2. Tax on Motor Spirit and Diesel Oil	2.9	7.0)	
3. Land Revenue	4.0	9.6	37.0
4. Irrigation rates			11.0
5. Betterment levy	0.8	2.2	16.0*
6. Agricultural Income tax	3.3	7.5	12.0
7. Electricity rates and duties	3.4	8.4	6.0
8. Tax on Motor Vehicles (including tax on passen- gers and goods)	5.3	13.1	10.0
9. Stamp duties and registration etc.	1.2	3.0	4.0
10. State excise duties	1.8	3.6	—
11. Others	17.0	35.3	17.0**
TOTAL	79.3	172.9	225.0

* Exclusive of yield of Rs. 31 crores to be made available to the Centre for repayment of loans.

** Mainly represents local property taxes.

Source: The Planning Commission.



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